HOW CAPITAL RULES MONEY - MARX'S THEORY OF MONEY IN CAPITALISM

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1. Introduction

This paper aims to outline the basic components of Marx's complete theory of money in capitalism, starting from the analysis of the derivation of money from labor until the forms in which it exists in the capitalist economy. The return to the theoretical development originally performed by Marx may be justified for two reasons. First, because Marxian monetary theory is insufficiently developped, given the small and fragmentary work performed by Marxist economists on the subject; second, for this reason there is a considerable influence of concepts imported from other theories, usually incompatible with Marxian theory. The consequence is the distortion or even the abandonment, often unexplicit or even unnoticed, of basic assumptions and categories of the Marxian system, damaging its internal coherence, which every theory intended to be solid and conceptually rigorous should preserve.

The studies focusing on Marx's views about money in capitalism are frequently based on an incomplete reading of that author's theory. In fact, the sources cover mainly the three openning chapters of Book I of *Capital*, supplemented by the *Contribution* published in 1858. The *Grundrisse*, where the theoretical foundations for the concepts of value and money are developed, and the chapters of *Capital* III which deal with money in capitalism, are not sufficiently explored. This has lead to misinterpretations of Marx's theory of money in two crucial points: the first refers to the question of the commodity form of money, demonstrated in *Grundrisse*; the second is the characterization of money and its functions in capitalism, made in Book III of *Capital*. The precise understanding of Marx's theory of *money in capitalism* cannot be obtained if based only on Book I of *Capital*. It is also necessary to previously determine the nature of the difference between money and capital, a subject extensively discussed by Marx in *Grundrisse* but only very shortly mentioned in Book I of *Capital*[1].

The purpose of this paper is to provide support to the proposition that Marx's theory of *money in capitalism* should be understood as a system consisting of three fundamental parts: first, the theory of money as a category belonging to the sphere of circulation of commodities, not specifically to capitalism; second, the characteristics which distinguish capital, as a category belonging specifically to the capitalist economy, from money; third, the functions performed by money in capitalism, and the particular forms and laws under which it does so.

It will also be the attempted to substantiate the need to remedy an omission frequent in studies focusing Marx's theory of money. It is the failure to take into account the connections and differences between the concepts of money and capital and between money as a means of circulation and as monetary capital. Without accomplishing it, the understanding of the precise role of money within capitalism, according to Marx's system, becomes extremelly difficult. This omission seems to result from not taking into account the complete framework of Marx's theory about money, which should be seen as a complex body consisting of three divisions, which have unduly been kept apart: first, the definition of money; second, the implications of the transformation of money into capital; third, money and credit money within capitalism.

2. Money: "*material* way of being of *abstract* wealth"

In Marx's view the theoretical categories of the economy represent economic relations among individuals in society, in production and circulation, or social relations of production, which often appear as objects or things. Accordingly, most of Marxist writers agree, more or less explicitly, that money and capital represent definite - and different - economic relations among individuals. However, often what is said has not been understood, according to Marx's profound statement: "although ignorant of this, yet he says it" (C, I, p. 51). In this way, in some writings the above mentioned acknowledgement looks more like the recognition of a formal principle than as having a clear content. In the case of money, stating that it expresses a determined social relation means that it is the material expression of an economic relation among private commodity producers. In other words, it represents a materialized social relation or a social relation converted into an object. The social relation expressed by money is the seller/buyer relation, which takes place in the sphere of circulation, among private and individual owners of commodities. This relation possesses a structural character derived from the dominance of private property of the means of production and the social division of labor within which the producers are placed. This means that, on one side, if money is there, so is the relation it represents; on the other side, when present, money represents only this relation. For example, money in itself does not represent the credit relation, hence it does not produce interest.

As the materialized seller/buyer relation, money is defined by Marx as a special commodity[2] which performs the

[1] Marx's works in English have not all been available to the author, except *Capital*. Thus, the quotations presented belong to the german editions, as indicated in the bibliography, translated by the author of this paper.

[2] In his works Marx is explicit and consistent about money having to be a commodity. The following passages may be mentioned: "In contrast to commodities, which only simbolyze value as an independent reality, as general social labor, as abstract wealth, gold is the *material way of being of abstract wealth* (Marx,

function of general equivalent of value in the entire range of the commodity-producing society, i.e., af first within the strict range of the circulation of commodities, irradiating from there to the other spheres of society. The theoretical and historical development of money, as laid out by Marx, originates the following definitions. First, as a theoretical category, money is "the *material* way of being of *abstract* wealth" (Marx, 1980a, p. 188, emphasis in the original). The word "abstract", contrary to the understanding of some authors, is not a synonym to 'immaterial', but designates wealth or value *abstracted* from the particular use values (or common commodities) to which it is linked when produced. On the other hand, as a category of reality, money is "the commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation" (C, I, p. 130), i.e., it is the commodity in which the functions of measure of value and medium of circulation are unified. Finally, gold is the actual commodity which corresponds to these concepts, therefore gold **is** money. Thus, within Marx's theory, money is strictly the material which is at the same time the measure of value and the means of circulation[3].

The emergence of money as such is preceded, on one side, by the appearence of several commodities as equivalents of value in limited ranges in the barter system. Although these do not perform as mediators of exchange, the determination of values of the commodities to be exchanged is made easier with their help; on the other side, by the appearance of primitive forms of exchange mediators, different from the equivalents although based on them. The money-form is complete when the function of equivalent is unified into one single commodity, which replaces all particular equivalents, and which additionally circulates systematically mediating the exchanges. This means that the functions of measure of value and means of circulation appear separately and precede the emergence of money. What is new in money is that these two functions are performed by one single commodity. This is why in Marx's exposition the section called 'money' comes after the exposition of those functions: they do not result from the constitution of money, but on the inverse. The functions of means of hoarding and of payment, and of world money, in contrast, can only be performed by money as such, i.e., by the commodity that has unified the two precedent functions. This is the qualitative development represented by the appearance of money. Thus, the functions of money, in Marx's view, have to be divided in two groups: the ones that precede and the ones that follow the emergence of money.

The fact that money has necessarily to be a commodity is not a matter of faith, but is based on strong theoretical foundations, laid out by Marx in the *Grundrisse*[4]. According to Marx's reasoning, the value of commodities cannot be directly represented in the particular labor time contained in each commodity, but only in abstract or average social labor, which however can only present itself indirectly, in the form of another commodity. In view of this reasoning, the contemporary versions, by Marxist authors, suggesting that the definition of money does not require its materiallity, have to be able to consistently disprove Marx's definition and to provide a convincing alternative as well, which has as yet not been done. The demonstration that money has to be a commodity has been done by Marx in two ways. On the one side, following the concrete historical process of emergence of money within the process of development of the merchant economy, and, on the other side, developing theoretically the nature of value and money. The later demonstration, though less known, is more important, because it at the same time demonstrates the inacceptability of stating the immaterial character of money *within Marx's theoretical framework*. It may be summarized as follows.

Marx's reasoning is based on the theoretical definition of the nature or essence of value and money. Value is the social link which connects the independent producers to one another, given private property and social division of labor. Its substance is abstract or social labor, i.e., social average of the universe of particularized labors, different from and opposed to them, though having its origin in them. Thus the magnitude of value expresses the abstract labor time contained in each single commodity. But how does abstract labor time express itself in an observable form, that is to say, under which material form does it show itself to the observer? To express or show itself means to state the amount of social labor contained in the commodity, and no form of money expresses value directly as labor time, but always as exchange value or price, represented by certain amount of the money-commodity. If gold is money, than the price of the

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1980a, p. 188, emphasis in the original); "... money is the *material medium* in which exchange values are submerged ..." (Marx, 1976a, p. 99, emphais added); "... first of all the commodity has to be exchanged for a universal *commodity* ..." (Ibidem, p. 100, emphasis added); "... money (the *material of the commodity* which performs as measure of value and consequently as money)" (Marx, 1976b, p. 21, emphasis added); "The *commodity* that functions as a measure of value, and, either on its own person or by a representative, as the medium of circulation, *is money*" (C, I, p. 130, emphases added); "The exchange value disconnected from the commodities themselves and itself existing at their side as a *commodity* is: *money*" (Marx, 1976a, p. 79, last emphasis in the original).

[3] It should be noted that, money having been defined as a special commodity converted into the general equivalent of value, it is incorrect to state that Marx's money theory is a theory of "commodity-money", since the term "money" already defines it as a commodity. On the other hand, there is no immaterial money in Marx's theory, only forms derived from money to perform some of its functions, like credit money for example, which is not money. It is correct however to designate the commodity that functions as money with the expression "money-commodity", which in capitalism is gold.

[4] (Marx, 1976a, p. 72-107). In his subsequent writings Marx did not go into the same level of detail about the subject, being therefore necessary to consult this work.

commodity expresses itself in a certain amount of gold. Why not directly in labor time? Two aspects of this question have to be pointed out[5]. First, labor does not exist as an object, but only as an activity in the process of being performed. As soon as the process of production comes to an end, the performance of labor ends as well, and nothing of it is left except its product. In this way, labor time only exists materially, in an observable fashion, in the product of labor, and its amount can only be measured in the amount of the product[6].

Second, the amount of labor materialized in the use value of every commodity is individual labor, of a particular kind, therefore it does not directly express social labor. Thus, as products of particular labors, commodities differ from one another. Therefore, in order that one commodity be exchanged for the product of another particular labor, both have to be converted into substance common to both, i.e., into expressions of social or abstract labor. This will only be possible if both are able to be translated into one product of labor converted by the process of exchange into the expression of social labor in opposition to particular labors[7]. That commodity, which is money, does not only possess the materiality common to all products of labor, but is at the same time just a symbol in which all producers represent labor in its social dimension, because labor only exists materially in particular products, as forms of particular labors. No single commodity - not even the money-commodity - can manage to be the direct expression of social labor, except symbolically. Thus, the money-commodity is also a symbol of social labor, but a material symbol, i.e., it symbolizes in its matter (product of particular labor), a definite amount of social labor (see also Belluzzo, p. 83-4).

Moreover, the fact that commodities are exchanged at their values, which means through the equalization of the amount of abstract labor times, is not a “phenomenon of direct perception by individuals” (Weeks, p. 36), but is instead a subjective pressuposition of the process of exchange and becomes explicit only as a result of observation and reflection (Ibidem, p. 39).

Considering Marx’s demonstration, Lipietz’s objection does not look convincing, if I have well understood his arguments. The author attempts to demonstrate that credit money can be taken as “real money” (“vraie monnaie”). In the first place, Lipietz attributes the foundation of the defence made by many Marxists of money as a commodity to an argument of Marx which is not its true foundation: “gold is now money with reference to all other commodities only because it was previously, with reference to them, a simple commodity” (C, I, p. 70, quoted by Lipietz, p. 137). This argument merely states that gold is money because it had already been a commodity, but the crucial point that has to be proved, as above indicated, is why the abstract labor time, or value, contained in commodities *can only be expressed in the form of another commodity*. Second, Lipietz’s demonstration about the relevance of credit money starts from the previous existence of money in the formula xM=yN (Ibidem, p. 138), whereas he should have shown how an immaterial kind of money could be introduced independently from the immediate exchange of commodities. This means that Lipietz did not offer an alternative solution to the problem of the measure of value, which is the original and irreplaceable function of money (=gold). Lipietz’s theory seems to present two weaknesses as an attempt to correct Marx’s theory. On the one hand, the demonstration that the functions of money as medium of circulation and means of payment may be performed by forms derived from money, like symbols of money and credit money, has been made by Marx in an apparently satisfactory way. Thus, in this respect Lipietz’s demonstration seems not to provide a new solution. On the other hand, the estimate of the “labor-equivalent of money” (“équivalent-travail de la monnaie”) and of the “value of labor power”, provided by Lipietz (p. 35-37), assume the previous existence of a price structure, which means that it assumes the action of something performing as measure of value[8]. It should be noted that the “labor-equivalent of money”, as long as it merely represents an estimate from the observer - i.e., a numéraire - does not solve the problem of how, in the real economy in motion, commodities manage to express their values in a money-form.

Foley’s interpretation, on the other hand, clearly differs from Marx’s demonstration about the character of money. He introduces a subtle change in Marx’s basic argument, when he states that value “shows itself in the form of money, which is just value separated from *any particular commodity*” (Foley, p. 14, emphasis added), interpreting this as if Marx had stated that money could be something else than a commodity[9]. Foley apparently missed the fact that, according to Marx’s reasoning, the *particular commodities* are opposed to the *general commodity* (Marx, 1976a, p. 100; 1980a, p. 127), which is the money-commodity, not to non-commodities (see footnote 1). Foley attributes an

[5] Marx’s exposition of this point in the *Grundrisse* is important and should be consulted (Marx, 1976a, p. 98-107).

[6] “Labor time itself only exists as such subjectively, in the form of activity” (Marx, 1976a, p. 102).

[7] “The need for a money different from labor time arises precisely from the need to express the amount of labor time not into its immediate and particular product, but into a mediate and universal product, into its particular product as equal and convertible into all the other products corresponding to the same labor time, corresponding to the labor time present not within one single commodity, but within all commodities simultaneously, hence within a particular commodity representing all others. Labor time itself cannot be immediately money (...) precisely because it exists in fact always only within particular products (as an object): as a universal object labor time can only exist symbollically, in this case *precisely within a particular commodity which is put as money*” (Marx, 1976a, p. 99, emphases added).

[8] On this point Lipietz’s view seems to agree with Foley’s (Foley, p. 14-15). According to Weeks “The money commodity provides a theory of the absolute price level with relative values given, and a theory that rejects the necessity of a money commodity must provide an alternative explanation of the price level ...” (Weeks, p. 104).

[9] This interpretation is apparent in Foley’s statement that “the final step to the full money form of value is taken when some commodity *or some abstract unit of account* becomes socially accepted as the general equivalent and is commonly used as the measure of value of commodities” (Ibidem, p. 20, emphasis added).

undeserved naivety to Marx's concept of money (=gold), attributing it to the mere influence of casual contemporary circumstances: "Marx, living in the nineteenth century when the gold standard was the dominant monetary form, assumes that the general equivalent must be a commodity produced, like gold, by human labor", adding that in the 20th century the monetary systems evolved into "a system in which the general equivalent is an abstract unit of account, like the 'dollar' " (Ibidem, p. 20). However, the dollar is merely a conventional unit of account, not a general equivalent or measure of value, for which it would have to be a commodity.

3. Capital: value as subject or money in process

Marx devoted great effort to stress as clearly as possible the fact that money and capital are essentially different categories, being nevertheless easily mistaken one for another in theory, which is one of the reasons of the difficulty for the correct understanding of the nature and dynamics of capitalism[10]. The differences between money and capital are extensively analysed in *Grundrisse* I (Marx, 1976a, p. 161-223), where the theoretical problems posed by the transformation of money into capital are carefully discussed. The subject is also focused, though more shortly, in the unpublished section of the *Contribution* (Marx, 1980a) and in the manuscripts of 1861-63 (Marx, 1976b, 1980b), and finally appears in a very succinct form in chapter 4 of *Capital* I. The original analysis has not only been reduced in this book, but its outline, as Marx pointed out, does not follow the same order as the investigation. In this sense the corresponding text in *Capital* I is rather an outline of the outcome than of the process of theoretical elaboration[11]. As our subject concerns more to the theoretical foundations of Marx's analysis, the reading of the *Grundrisse* and other writings previous to *Capital* is essential to the understanding of his theoretical concepts about the transition from money to capital.

As a relevant category of reality as well as of theory, capital also represents an economic relation among individuals within social production. Money in capitalism continues to express the seller/buyer relation, nothing else. Capital, however, expresses a new economic relation, which has its basis in the value relation, i.e., in money, but does not coincide with it. Capital expresses the relation between owners and not-owners os means of production, or owners of means of production and owners of labor power. As in the seller/buyer relation, whose structural character is based on private property and social division of labor, the structural character of the capital/labor relation is based on the legal separation, due to burgeois form of property, between the owner of labor power and the owner of the objective conditions of labor[12]. The individuals who confront each other within circulation now carry new economic functions, besides the ones of seller/buyer of ordinary commodities. The worker sells in order to buy, i.e., he sells labor power in order to buy means of subsistence, while the capitalist buys in order to sell, i.e., buys labor power (and other inputs) in order to sell commodities. The complexity of this relation arises precisely from the fact that it dominates and absorbs the value-relation, i.e., because capital dominates and absorbs money. This is the decisive theoretical distinction between money and capital in Marx's framework.

Money represents value as crystallized social labor, motionless in its material. Capital, on the other hand, expresses expanding value, i.e., social labor in expanding motion[13]. Value as money exists only ephemerally within circulation, for it vanishes at once into consumption, unable to preserve itself except as an anomaly when negating itself as a means of circulation, like in hoarding. Otherwise in the form of capital, where value preserves and expands itself, but under the condition that it circulates. Value as money vanishes in consumption as soon as it is converted into use values, while value as capital has to be converted into use values in order to preserve itself. Value as capital becomes the subject of the process as it moves restlessly, within circulation, from money into commodities and back into money, i.e., value as capital encompasses both its general and particular forms, money and commodities, and combines them into a dynamic unity. This means that the contradiction between value and use value intrinsic to the commodity, which in the money system[14] is transferred to the sphere of circulation, opposing money to ordinary commodities, is transferred to the sphere of production under capitalism. In this case labor power, one of the opposite poles of the contradiction, represents the use values as an aggregate, i.e., potential use value[15], in opposition to capital, which represents value in

[10] In view of the remarkable emphasis with which Marx analysed this distinction, it is surprising how small prominence it generally deserves in writings dealing with his theory of money.

[11] This circumstance is rightly mentioned by Harvey, when he points out the reason why Marx begins *Capital* by examining the commodity: "It was the result of extensive inquiry, a long voyage of discovery (...). We begin with what is in effect a conclusion" (Harvey, p. 1).

[12] The transition from money into capital as dominant forms of value within their respective circumstances - i.e., simple circulation and capitalism - reflects a deep and far-reaching historical process of change of social relations of production, described by Marx as primitive accumulation. This process constitutes the real presupposition of the emergence of capital.

[13] "Money (...) as capital lost its rigidity, and was transformed from a palpable object into a process" (Marx, 1976a, p. 187). "In simple circulation, C-M-C, the value of commodities attained at the most a form independent of their use-values, i.e., the form of money; but that same value now in the circulation M-C-M, or the circulation of capital, suddenly presents itself as an independent substance, endowed with a motion of its own (...)" (C, I, p. 154).

[14] *Money system* is an expression with which Marx also designates the simple circulation of commodities.

[15] Marx develops this point in *Grundrisse I*: "Therefore capital as money is not in contradiction with use value, since outside money it only exists precisely within use values. (...) From this point of view the opposite of capital cannot be again a particular commodity; because as such it does not constitute an antithesis to capital, since the substance of capital itself is use value; not this or that particular commodity, but every commodity. The

the aggregate, encompassing all expressions of value.

The distinction between money and capital becomes clearer when expressed in symbols:

"M" represents money (quantitatively determined or static value)

"M - C(MP+LP) ... P ... C' - M' "   represents capital (value in continual motion of expansion)

One clearly sees that the emergence of capital does not extinguish money, but only absorbs it as one of its moments and forms of its cycle. In such subordinate position, in capitalism money keeps its original character and properties, but loses one part of its functions, which are performed by elements derived from capital, as will be shown in the next section. Thus, the development of the capital-relation does not affect the original determinations of money as general equivalent of value, measure of value and standard of prices. As autonomized value money is a presupposition of capital, not only in a historical sense but in its actual motion, since commodities as particular forms of value need to circulate in order to be converted into money as its independent and general form. However, in order to be able to circulate freely, money has to be converted into standard of prices and means of circulation an payments.

On the other hand, from the fact that money and commodity are both forms of capital, as has been mentioned, and that the absolute opposition existing between them in the simple circulation system vanishes in capitalism, it follows that in capitalism both show what they actually are, i.e. just different forms of value: money the general and commodities the many particular forms (C, I, p. 153). In that way, while money is limited to be the general form of value, capital represents the unity of its general and its particular forms.Therefore capital represents neither money nor commodities, in isolation or taken togheter, but just the motion from one into the other and back again[16]. It is therefore evident that the properties of capital do not coincide with the ones of money, which are absorbed by capital, in the same way as capital absorbes the properties of commodities[17].

However, commodities are absorbed into the concept of capital not only as forms of value, their specific use values being of decisive significance to capital as well, in contrast to simple circulation, where they do not affect the character of the exchange. In phase M-C the use values involved in C are not indifferent: on the one hand, proportionally determined parts os M have to be converted into means of production and labor power; on the other hand, the specific character of the means of production are determined by the commodity to be produced, which is productive consumption. In this sense capital, besides being the unity of money and commodity, is also the unity of circulation, production and consumption. This is the reason why the complete formula of capital is M-C(MP+LP)--P--C'-M', instead of just M-C-M', which represents only the movement of capital within the sphere of circulation. It is the characteristics of P which determine the composition of C and the magnitude of M, not the opposite[18].

In order to stress the drastic nature of the evolution implicit in the transition of value from money form into capital form, Marx compared it to the evolution of monkey into man, pointing out that the theoretical mistake in economics consists of taking the inferior form - money - as the dominant one in relation to the superior form, which is capital, contrarily to the actual process[19]. Keynes' monetary approach in defining the *capitalist* economy as a *monetary economy* is subject to precisely that critic by Marx[20]. Money being the expression of the seller/buyer relation, the statement that money be the most relevant category of the economy implies the assumption that economic agents interact only as sellers and buyers of commodities, ignoring therefore the emergence of more developped economic relations corresponding to capital (Marx, 1976a, p. 170-1). Thus, according to the monetary approach the seller/buyer relation is the decisive one, and the phenomena of circulation are the most relevant, whereas in Marx's theory the capital/labor power relation is decisive and the sphere of production the most relevant.

4. Money in capitalism

In view of the dominance of capital relation upon money relation, the analysis of money in capitalism cannot consist

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substance common to all commodities (...) is being *objectified labor*. The only distinct from *objectified* labor is *non-objectified*, but still being objectified labor, *labor* as subjectivity. (...) Therefore, the only *use value* able to constitute an antithesis to capital is *labor* (and precisely value generating labor, i.e., *productive labor*)" (Marx, 1976a, p. 195-6).

[16] "(...) capital is not money, nor commodities (...). Capital has not material form as such, though it may be represented in material form" (Weeks, p. 133).

[17] A particular capital is generally quantitatively identified as a sum of money, but this does not mean that it efffectively exists in money form, but merely reflects the function of unit of account of money, referring to capital either in form of commodities or of money (or even just credit money). This usual procedure obscures the real nature of capital as distinct from money.

[18] Since the determining social relation, within capitalism, is the one ocurring within the sphere of production, between value represented by the means of production, and use value, represented by live labor power, if follows that the motion of the capitalist system is determined by the laws of this relation. This is the reason why the analysis of capital, performed by Marx in *Capital*, is basically the analysis of the capital/labor power relation, i.e., an analysis of capital, instead of the seller/buyer relation, which would consist of an analysis of money. The later will only emerge again at the end of the book, when Marx resumes the analysis of the sphere of circulation.

[19] "*Money* as *capital* is a determination of money that goes beyond its simple determination as money. It may be viewed as a superior realization, in the same way as one may say that the monkey develops into the human being. In contrast to this, it is usual that the inferior form be put as the dominant subject upon the superior form. Anyway, *money as capital* is distinct from *money as money* (Marx, 1976a, p. 173).

[20] The radical distinction between the concepts of capitalism according to Marx and Keynes has been examined by the author of the present paper (Germer, 1996a). See also Weeks (1981, p. 96-7).

in the direct application of the concepts corresponding to its forms and functions within simple circulation as laid out by Marx in *Capital* I. There are two main aspects to be considered: in the first place, the conditions presiding the circulation of commodities change decisively as a result of the dominance of capital upon money, which may be summarized by saying that the *credit system* replaces the *money system*, altering the ways and forms in which money performs its functions; second, the fact that money presents itself in capitalism in two different ways, on one side as mere money, and on the other side as a form of capital. Marx devoted great effort in demonstrating the need to distinguish these two faces of money in capitalism.

Marx made use of the concept of the credit system to designate the structure of the circulation of values peculiar to capitalism[21], in contrast to the concept of a money system, which designates the structure of circulation of values in simple circulation, i.e., through money in the functions of means of circulation and of payment. However, as Marx did not provide a clear and explicit definition of this expression, it embarasses the reader owing to the complexity that circulation exhibits in capitalism, the number and variety of its elements and of the ways they interact, rendering extremely complex the attempt to provide an accurate definition. This notwithstanding, the components of the credit system are indicated in his writings, making it possible to provide its general outline.

The credit system consists of two sets of elements, on one side commercial credit[22] and the function of means of payment of money[23], on the other side money-dealing-capital[24], interest-bearing capital and banker credit, closing with the development of the banking system, where all these elements combine. Whereas in the money system it is money that mediates the circulation of commodities, in the credit system it is credit that performs this function. The essential difference between them is that money circulation expresses the process of autonomization of value, i.e., conversion of value from its particular forms of ordinary commodities into its general form of money. The circulation of credit, on the other hand, relates to the circulation of value as a continuous process of its expansion. The credit system however assimilates the money-system, because for values to expand it requires that they previously arise through its autonomization as money in the mere circulation. The circulation medium in the money-system is money, whereas in the credit system it is credit money, to be defined.

In addition to the complexity of money itself as a social relation represented by an object, whose forms and functions are further to a certain extent regulated by the State after the sphere of circulation has matured, money in capitalism presents itself under two different and superposed forms, which opperates as an additional factor of difficulty to the precise understanding of its specificity as money. The duplicity of money in capitalism consists in the fact that in the sphere of circulation it presents itself on the one side as simple money, i.e., as circulating medium[25], even in the name of capital, on the other side representing different kinds of capital in money form. The difficulty arises from the fact that the aggregate of physically homogeneous money differentiates itself according to the different roles each peace of money plays, i.e. simple money, money-capital as such and interest-bearing capital (DK, III, p. 420). Nevertheless, whichever the role money plays in the sphere of circulation, it performs only functions of money, so that the problem consists in identifying in the name of whom it does it in each case. Thus, as circulating medium money performs as means of circulation and payment, in the phases C-M or M-C. But these two functions may be performed in the name of consumers or of capitalists. In the first case money arises as money-form of revenue, within cycles C-M-C, mediating consumption, either of workers or of capitalists; in the second case it is money-form of capital, hence mediating the reproduction of capitals in its circulation phases, which relate to the last phase of one cycle and the first phase of the following one: ...C'-M'---M-C...; in the third case, money capital represented by money may be either the capitalist's own or borrowed interest-bearing capital, in which case the circulation becomes duplicated in the form M-M ... M'-M' (C, III, p. 340).

Functions of money in capitalism

The definition of money as the commodity which performs the function of general equivalent of value, which cameto be gold in capitalism, implies forcefully that, given the present structure of the credit system, *money itself circulates no more* within the domestic markets[26], although it still performs relevant functions as reserve and international means of payment. Thus within national borders there is no circulation of money, but only of substitutes of money, and

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[21] "The *credit system* is its own creation [from industrial capital - CMG], i.e., it is a form of the industrial capital, which starts with the manufacture and expands further with the large industry" (Marx, 1979a, p. 1466). See also De Brunhoff's interpretation (De Brunhoff, p. 76-83). De Brunhoff's book has only been available in the brazilian edition. Quotations presented here have been translated by the author from this edition.

[22] Commercial credit "forms the basis of the credit system" (C, III, p. 479)

[23] "Credit money springs directly out of the function of money as a means fo payment " (C, I, p. 139).

[24] "The purely technical movements performed by money in the circulation process ..." are the original functions of money-dealing-capital (C, III, p. 315), but it expands so that "the money trade becomes fully developed, even in its first stage, as soon as its ordinary functions are supplemented by lending and borowing and by credit" (Ib., p. 320).

[25] The functions of money as 'simple money' are the functions within circulation, i.e., medium of circulation and of payment. For this reason the mass of money that performs them may be called circulating medium.

[26] De Brunhoff points out rightly that the basis of credit money "is the circulation of credit, that is to say *a non-money circulation*" (De Brunhoff, 1978, p. 87).

additionally gold has been formally abandoned after 1971 as the official basis of the standards of prices. In this way, the present money standards seem not to possess intrinsic value or an objective standard, money having apparently been turned into a fully symbollic category. This situation challanges Marxist theory and led several writers to attempt to adapt it in ways that require his definition of money as a commodity to be discarded, under the implicit assumption that it would not affect the foundations of the theory. This assumption has already been objected in section 2 of this paper. Now I will try to dispute the hypothesis that the present organization of money sphere challanges Marx's theory of money. Assuming that theory should overcome the contradictions between the appearance of phenomena and the internal laws which determine them, and further assuming that the laws of motion of capitalism are still effective, it woul be indicated first to attempt to *explain* the present monetary reality based on Marx's theory, before attempting to adapt the later to the changing appearances. This does not seem to have been done sufficiently so far. To do so requires a previous discussion of the functions of money in capitalism.

The demonstration ot the continuing validity of Marx's definition of money requires two demonstrations: 1) that the total replacement of money (=gold) within circulation is not inconsistent with that definition, but on the contrary follows logically from it and Marx performed this deduction; 2) that abandonment of gold as the objective standard at the *formal level* does not imply his abandonment at the *level of the real economy*, as the general equivalent of value.

Money has been replaced as means of circulation by two substitutes derived from two of its functions, on the one side inconvertible paper money issued by the State and having compulsory circulation, which is a form of the symbol of value and originates in the function of means of circulation (C, I, p. 127-9), on the other side credit money under different forms. Credit money, whose more developed forms are the bank-notes and the central bank-notes, "springs directly out of the function of money as a means of payment" (Ibidem, p. 139), which has its origin in the emergence of a new economic function - commercial credit - or creditor/debtor relation, which superimposes on the value- or seller/buyer-relation[27]. The early historical form of credit money is the commercial obligation or bill of exchange. Marx emphasizes that since the beginnings of european merchant capital and of capitalism the commercial obligations were the more generally used means of circulation in large commercial transactions, the metallic money being confined to the circulation of small values. He himself provided figures in *Capital* to illustrate the overwhelming superiority of credit money over metallic circulation already at that time (C, I, p. 140). On the other hand, he also indicated that the expansion of credit money and the banking system would allow credit money to entirely replace metallic circulation within the domestic spheres of circulation[28]. Although Marx did not mention identical possibility at the international level, the replacement of money in international transactions - which is already a reality - is consistent with his theory for the same reasons that apply to the domestic markets.

In this way it becomes apparent that the means of circulation which are replaced for money (=gold) derive their existence from money, instead of arising in opposition to it, which has been shown by Marx himself. It follows that its existence does not challenge the nature of money as a commodity and is not inconsistent with his definition of money either. Therefore, *in this sense* the efforts of Marxist authors who feel compelled to provide an alternative to Marx's definition of money are fruitless.

The demonstration that the formal abandonment of money (=gold) as a basis of credit money does not imply its actual abandonment is essential to the validity of Marx's theory of money. However, that attempt will not be accomplished in this paper in view of the difficulty of the subject. However, some evidences that are supposed to support that hypothesis will be provided. In the first place, one of the two following consequences, both inconsistent with Marx's theory, seem to follow necessarily from the assumption that credit money is no more based upon an objective standard. On the one side, assuming the validity of Marx's value theory implies that the function of measure of value may be performed by a totally immaterial hence symbolic unit, that is to say, that something without value at all should be able to measure values[29]. This is the same as to admit that a weightless object may serve as a standard of measure of weights. On the other side, Marx assumes that the content in terms of abstract labor - the substance of value - of the commodities, may only be measured through its exchange with something which contains abstract labor as well, i.e., another commodity. From this it follows that if one admits that values of commodities may be measured without reference to abstract labor as a standard, one has to admit also that values of commodities are not determined by its content in abstract labor.

Second, according to Marx, money, as represented in a commodity, is an element that emerges spontaneously form the process of exchange, as one of its necessary components. This means that money has not and could not have been arbitrarily created by the State. The State merely establishes the standard of money, i.e., it gives a name and puts its seal

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[27] The function of money as means of payment is not merely a money phenomenon, since it results from a relation distinct from money as such, the credit relation. Therefore it consists of a combination of two economic relations: value and credit. Credit may also exist either without the existence of money, since even in barter one producer may anticipate his product to another one and receive the later's commodity in return later, or outside the circulation of commodities: "The character of creditor, or of debtor, results here from the simple circulation. (...) The same characters can, however, be assumed independently of the circulation of commodities" (C, I, p. 135).

[28] "The entire history of modern industry shows that metal would indeed be required only for the balancing of international commerce (...), if only domestic production were organised. That the domestic market does not need any metal even now is shown by the suspension of the cash payments of the so-called national banks ..." (C, III, p. 517).

[29] This has been attempted by Lipietz, but it does not sound convincing, as will be indicated later.

on a conventionally fixed quantity of the money-commodity adopted as unit of account and standard of prices. If money emerges spontaneously and not from the initiative of the State, if follows that it cannot be extinguished by the State, but only by the process of exchange. But this is impossible because, according to Marx's reasoning, the exchange of commodities is impossible without the existence of a general equivalent of value, as indicated in section 2. If it is correct to say that the State merely establishes the standard of prices based on money (=gold), the present circumstances of the capitalist economy could be interpreted as a refusal - or lack of power - from the State in establishing it officially. However, the dollar, and the sterling or the DM as well, are standards of money, they consequently express definite amounts of the money-commodity. If those standards are not formally established, it means either that they are being established informally, or that they fluctuate continuously independently from the State.

Finally, the hypothesis that the suposedly immaterial character of present standards of money rendered Marx's theory of money inconsistent, requiring that Marxists provide an alternative theory, may be seen as an inductivist oversimplification. The fact is generally overlooked that the standards of money in capitalism were explicitly based on gold as general equivalent until as recently as 1971, and that the worldwide economic crisis - which then began to be acknowledged and has not come to an end up to the present - arouse as a monetary crisis of the standard type mentioned by Marx: as the crisis starts the prices of securities fall or are discredited and there is a run to money proper - gold. In fact, the end of the convertibility of the dollar, in 1971, cannot be attributed to a loss of relevance of gold, instead it was an effect of the fear that american gold reserves, which supported the dollar, were threatened with exhaustion in the case of a run of the central banks of the advanced capitalist countries[30]. On the other hand, the devaluation of the dollar, which the United States had refuse to admit and was then officially acknowledged, expressed a violent compatibilization of the stock of money to its real base - gold. The standard of money - the dollar - has been altered, once the gold content of the dollar had been officially fixed since 1934 in the relation of US$ 35 per ounce, and after 1971 the dollar has been substantially depreciated as measured by its relation to gold. It seems that in view of the new circumstances it is for Marxists to attempt to identify the new charachteristics of the relation of the standards of money to gold in our days, based on Marx's theory of money and credit money, instead of trying to provide alternatives based on oversimplified inductivist reasoning. The difficulty in disproving even one section of a complex and consistent theory like Marx's and others is very well known and in the present case it has as yet not been accomplished either by Marxists or by non-Marxists.

Marx indicated that in prosperous phases capitalism behaves as if it would be possible to free itself from the metallic basis, i.e., from money, but it always ends by crashing against it again and again as an obstacle which it is unable to overcome. Thus, according to Marx the need of a commodity that performs as money is one of the essential causes of the contradictions and crises of capitalism. Therefore, the abandonment of this need as a theoretical concept would imply the removal of one of the elements essential to the understanding of the contradictions and crises of the system. According to Marx some forms derived from money are able to overcome contradictions inherent to other forms, but none can free the system from the contradiction intrinsec to money and inherent to the commodity-form of the products of labor, between value and use value, i.e., "between [the] particular natural properties and [the] universal social properties" of commodities (Marx, 1976a, p. 61-2)[31].

Credit money

As has already been mentioned, two distinctions are to be taken into account when analysing money in capitalism according to Marx's theory. On the one side between money and capital, and on the other side between money as mere money and as money-capital. But there is an additional distinction, less emphazised at present in the literature, between money and credit money, which implies that the concept of credit money is not reducible to that of money, in the same way as capital is not reducible to it[32]. Credit money is a category peculiar to capitalism, in the sense that it depends on conditions that only exist after capitalism has developed, and which are not presupposed in the concept of money proper[33]. For this reason the phenomena of the monetary circulation in capitalism cannot be understood solely on the basis of the concepts derived from the analysis of money, which in itself is a category of the simple circulation. Some Marxist authors do not take this into account and apply concepts related to money itself directly to credit money, as when the functions of measure of value or of standard of prices are attributed to credit money. De Brunhoff rightly states that "the function of measure of value cannot be performed directly by credit money" (De Brunhoff, p. 88).

One of the bases of credit money is the function of means of payment, which arises with commercial credit in the

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[30] The protection of the domestic reserves of gold against the risk of a drastic drain has been the cause of repeated suspensions of convertibility, at least since the famous English *Restriction Act*, effective between 1797 and 1819.

[31] "All contradictions of the *money system* and of the exchange of products within the money system represent the development of the condition of products as *exchange values*, of its determination as *exchange value* or simply *value*" (Marx, 1976a, p. 85-6).

[32] Marx criticized the definition of capital as the sum of prices of means of production of a given investment, because it implies reducing capital to a sum of money, i.e. to mere money. Capital is indeed money, since it is value, however it is value plus new determinations which constitute the *differentia speciffica* that distinguish it qualitatively from mere money.

[33] "Money based upon credit implies on the other hand conditions, which, from our standpoint of the simple circulation of commodities, are as yet totally unknown to us" (C, I, p. 127).

simple circulation. But this refers only to the initial and primitive form of credit money, as represented in the bill of exchange used as a means of circulation and of payment. Commercial credit does not involve a money loan, but just an anticipation of a commodity or postponement of payment. In commercial credit there is no interest, which is a category that belongs to capital, not to money. The development of credit money as such requires the development of the banking system, of interest-bearing capital and of banker credit, elements which only arise with the development of capital. On the other hand, the starting condition of the banking system[34] is the reserves of money capital from industrial and commercial capitalists. The banking system connects itself to commercial credit at first through the discounting of bills of exchange. Later bank-notes of individual banks, representing rights to gold deposited at them, circulate in the place of gold, and finally the bank-notes from the central bank replace the notes from individual banks. It can be seen that credit money rests on the banking system and banker-credit, categories that do not exist in the simple circulation, which implies that credit money may be handled theoretically only within the context of developed capitalism. In summary, the concept of credit money combines elements of the simple circulation - money and its function of means of payment, and commercial credit - and from the mature capitalist economy - the banking system, interest-bearing capital, discount of commercial bills, banker credit, bank-notes and finally central bank-notes. Therefore money (=gold) is merely one of the elements which combine to form credit money.

Some significant consequences follow. Money (=gold) in capitalism does not perform any function *in the sphere of circulation*, therefore it does not perform as means of circulation or of payment. It doesn’t either perform as a means for the building of money reserves by the capitalists, replaced by the credit they hold against banks (which until 1971 were supported by the gold reserve from de central bank). And what about the function of measure of value and standard of prices based on it? The function of measure of value can only be performed by the general equivalent, that is to say, gold. The standard of prices is determined by the State based on the measure of value, or money. Assuming there is no measure of value, it follows that the State cannot establish a standard of prices. Take the dollar, for example. In the same way as the sterling and other standards of money of developed countries, the dollar is not inconvertible paper money issued by the State and having compulsory circulation, it is instead central bank-note, that is, credit money. Every circulating dollar originally stood for a credit in real money (=gold) the holder had at the central bank. If the State does not establish the value of the dollar on the basis of the money-commodity, it does nothing except giving it a name, which is economically irrelevant. It follows that the standard of prices requires a commodity-measure of value as its basis.

The case of hoarding

The seemingly mistaken use of the concept of hoarding by Marxist authors illustrates the difficulties that arise when the differences indicated by Marx between the categories belonging to the simple circulation and to capitalist circulation are not carefully taken into account. It also illustrates the misleading influence of theories more firmly established in the universities and research centers. An example will be provided to illustrate this point: the influence of Keynesian theory on Marxian reasoning in the misunderstanding and overestimation of hoarding in capitalism.

In order to lay out Marx’s approach to hoarding it is necessary to distinguish between form and content implicit in the concept of hoarding in the simple circulation and in capitalism. As to the form, hoarding consists of the building of money reserves, and in this aspect it is common to simple circulation and to capitalism[35]. However, as to the content, money reserves in the two situations are essentially different and Marx seems to have been quite clear about that, although his view is scattered in his writtings so that it cannot be found under one single topic. But as long as the distinction is based on his theoretical approach, it may be laid out as follows.

As to the content, what induces hoarding is the desire to accumulate wealth, which in the simple circulation may only be achieved by withdrawing *money* from circulation and piling it up[36]. In capitalism, however, the same motive may only be satisfied in the opposite way, i.e., by throwing money into circulation as *capital*. In capitalism it is the accumulation of capital[37] which responds to the “greed after riches” [38]. In capitalism even the preservation of value is not obtained by hoarding money. Every amount of money is an equivalent of capital, i.e., of value which could have expanded during the time it has been withdrawn from circulation. Thus, instead of preserving itself it decreases in

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[34] What is meant here is the capitalist banking system, not its form previous to capitalism.

[35] When De Brunhoff, for example, suggests the “general definition of hoarding as interruption of the process of exchange” (De Brunhoff, p. 57 and 67), this refers to the form, not to the content or motivation of hoarding.

[36] In order to be relevant as a concept, hoarding should express an economic function of a really existing agent, like the hoarder in simple circulation, whose formula is C-M, i.e., a sale aiming at obtaining money to be hoarded. However, there are forms of money withdrawn from circulation that do not constitute hoarding. For example, the sums of money kept as reserve, in the simple circulation, as a result of the normal fact that the proceed of the sales is not converted into consumption goods instantly. Marx called it *suspended currency*, “mere techinal moment of the currency of money” (Marx, 1980a, p. 190).

[37] It has to be insisted that accumulating capital is not coincident with accumulating money, which is quantitatively given value, whereas capital is value in its dinamic shape, value in process of expansion, i.e., in the form M-C...P...C’-M’.

[38] “This boundless greed after riches, this passionate chase after exchange-value, is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The never-ending augmentation of exchange-value, which the miser strives after, by seeking to save his money from circulation, is attained by the more acute capitalist, by constantly throwing it afresh into circulation” (C, I, p. 153).

relative terms as his owner suffers an opportunity cost consisting of the earnings he could have obtained in case he had invested his capital himself or lent it to another capitalist[39]. Consequently, money reserves as formed by individual capitalists are not induced by the desire to accumulate inactivated money, but appear as an undesired flaw of the process inflicted on them as a condition or an outcome of the process of reproduction of their capitals[40]. In addition to that, those reserves are not reserves of money but of money-capital, i.e. of potential capital in money form. According to Marx, the reserves that can be labeled hoards are basically the reserves for replacement of fixed capital and for expansion (C, II, p. 451, 493), as well as the ones for schedulled payments falling due in the near future (C, I, p. 142). It can be seen that this hoarding is only formally identical to hoarding as it exists within simple circulation, being totally different as to the content. It follows that in capitalism there is no economic function corresponding to hoarding, in the sense that there is no agent whose explicit function is to hoard inactive money. Hoarding in capitalism is just an unavoidable technical moment in the process of accumulation of individual capitals.

As a system however, capitalism rejects the inactivation of capital in private hoards, and with the intervention of the banking system converts the reserves of that part of individual capitalists who are eventually at surplus, into active capital in the hands of capitalists eventually at deficit in each moment[41]. In this way the sum total of the reserves of individual capitalists are reduced to a very small total reserve in the banking system, more specifically in the central bank[42]. It is only this reserve that may be labeled hoarding in the sense of inactivated money (De Brunhoff, p. 105 and 107). It turns out that the sum of money existing as hoarding is usually insignificant, except in times of economic slowdown or crisis, when reserves increase because a significant proportion of social capital is paralyzed. As a result of the excitement of accumulation and thanks to the banking system, even the money reserves scattered in the economy, arising from higher salaries and profits and meant for consumption along the near future, are converted in money-capital for lending purposes and thus in active capital. Thus not only the reserves of money-capital but also of mere money, which are not originally interest-bearing capital, become such through the intervention of the banking system.

It should also be noted that the money reserves deposited in the banks by capitalists do not constitute hoarding, on the contrary they express the conversion of reserves into interest-bearing capital, i.e., depositing reserves is in reality dis-hoarding. Second, the conversion of reserves into interest-bearing capital is not an aggregate result undesired by the individual capitalists. On the contrary, the capitalists who deposit reserves in the banks, do it because they reject their inactivation and with the explicit purpose of geting an earning from them. In so doing they do not act as hoarders but as money capitalists performing the corresponding economic function expressed in the circulation formula M-M’, superimposing it to their function as productive capitalists[43]. In the case these capitalists had a positive purpose to inactivate money as hoarding, they should pile it up in safe boxes of their own or of specialized enterprises, which would not be banks.

It should be further noted that the loan capital belonging to money capitalists in the shape of interest-bearing capital difers clearly from the above mentioned. Interest-bearing capital does not constitute hoarding, either in the form or in the content, but loan capital accumulated by money capitalists with the explicit purpose of obtaining an earning in the form of interest. It does not consist of money or capital withdrawn from circulation, but on the contrary is supposed to be continually performing the cycle M-M’, except in those already mentioned phases of crisis or slowdown in the process of reproduction, when a fraction of total capital, under all forms, is inactive. Being capital instead of merely money, the normal condition of interest-bearing capital is to be lent to active capitalists so as to produce surplus-value and render interest to their owners. Therefore, what their owners are usually supposed to have in their hands is not inactivated money, but titles of credit on loan capital.

Finally, there is a fraction of money capital which isn’t immediately either reserve of money or interest-bearing capital, which consists of the money-form of circulating capital, deposited in the banks and converted into loan capital as well. It corresponds to that part of capital which has to be paid out in cash in the near future, in the function of means of circulation, as for example parts of the salaries and other current purchases.

As has been shown above, it is not the banks but the capitalists themselves who convert their reserves into interest-bearing capital when they deposit them, and in so doing act as money capitalists. The notion that capitalists act

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39 “Withdrawn form circulation, [money] become[s] petrified into a hoard, and though they remained in that state till doomsday, not a single farthing would accrue to them” (C, I, p. 151).

40 Lapavitsas rightly states that “hoards are structurally formed ...” (p. 315), i.e., originate necessarily from the movement of capital, not from the intentions of hoarders.

41 “...hoards provide the basis for monetary credit and for the growth of the banking system. (...) banks turn hoards into interest-bearing capital, and so return the money to real accumulation” (Lapavitsas, p. 315). “One can understand the pleasure experienced when all these potential capitals within the credit system, by their concentration in the hands of banks, etc., become disposable, “loanable capital”, which indeed is no longer passive and music of the future, but active capital growing rank” (C, II, p. 493).

42 “... the effect of this function of the banking system is (...) to turn the inactive money reserves maintained by individual capitalists consistent with its almost complete removal concerning the capitalist class as a whole” (Germer, 1996b, p. 181).

43 In this case the active capitalists function as money capitalists because the earnings they obtain from their interest-bearing capital does not correspond to profit but to interest.

consciously as hoarders expresses the Keynesian view and misjudges a process inherent to capitalism. The notion of liquidity preference is necessary to Keynes in order to support his theory of the rate of interest, which he defines as a "reward for not-hoarding" (Keynes, 1980, p. 174). For this notion to have sense, one needs to assume that capitalists do have a positive propension for hoarding, i.e., withdrawing money from circulation and inactivating it into hoards. This provides the motive to define the rate of interest as the reward that justifies the dis-hoarding of money[44]. This seems to have been Keynes' way of escaping from the neoclassic notion of the interest rate as the money expression of the physical marginal product of capital, since he did not adequately distinguish capital from money and hence did not arrive to the concept of money representing money *capital*. Marx's theory of the rate of interest, on the other hand, does not need such a notion, since in his theory the rate of interest is determined by the supply and demand of interest-bearing *money capital*[45]. From the above it follows that, according to Marx's theory, the Keynesian notion of a propension to hoard - 'liquidity preference' - is inconsistent with the capitalist economy and with Marxian theory. The only propension consistent with capitalism is the propension to invest in order to obtain profit.

5. Conclusions

This paper attempted at identifying the logical connextion between Marx's theories of money and of capital, in order to contribute to the understanding of Marx's *theory of money in capitalism*, i.e., in order to be able to identify with greater accuracy the roles of money as such in the structure of the capitalist economy, according to Marx's views.

The need to combine the theories of money and of capital in order to obtain a *theory of money in capitalism* may be illustrated with the fact that the nature of credit money and of the credit system upon which it rests cannot be understood adequately barely on the basis of Marx's outline of money in the simple circulation, because in this phase capital still does not exist. Consequently the banker credit, i.e., credit in its capitalist shape and the banking system do not exist either. This means that the character of credit money cannot be drawn only from the character of money, but contains essential elements deriving from the nature of capital. In the same way the notion of hoarding, in capitalism, cannot be drawn merely from its definition in the simple circulation, requiring that the changes introduced in it by the characteristics of capitalist circulation be previously determined. In summary, the understanding of Marx's theory of money in capitalism cannot be obtained merely on the basis of his theory of money, which belongs to the simple circulation. Money and its properties are preserved in capitalism, but the functions it performs, and the forms in which it performs them, are altered in their ranking and shape as a result of the dominance o capital over money.

There is another reason why Marx's analysis of the specific role of money in capitalism constitutes an essential component of his theory of money as such. It follows from Marx's methodological indication, according to which the study of the most developped forms of a phenomenon allows to understand more accurately the less developped forms. This applies fully to the study of money, as a primitive form of value, originating in the simple circulation, whose characteristics become clearer after one understands the characteristics of capital as a more developped form of value.

The theoretical implications of the apparent dominance of purely symbolic standards of money in contemporary capitalism have also been examined strictly on the basis of Marx's theory. The unavoidable conclusion is that, according to that theory, money as a phenomenon of the market economy, must necessarily be a commodity. It does not follow however that the money-commodity has to circulate personally in any of its functions. In this sense, and considering additionally that the circulation of credit money may be defined as a 'non-money circulation', there is no inconsistency between the nature of the circulating medium of our days an the existence of a money-commodity as its basis. However, the consistency of a money-commodity system in the absence of an official link between the money-commodity and the conventional standard of money has not been demonstrated. Some indications habe been given however. This problem cannot be considered to be theoretically solved, and requires further research. Marxist authors should not let themselves be misled by the easy inductivist procedure of concluding that the money-commodity does not exist because it is not immediately visible.

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[44] Keynes' concept of liquidity preference is dubious. He himself stressed that it does not coincide with hoarding, but with the notion of 'propensity to hoard', since its effect is not the increase in hoarded money but in the rate of interest (Keynes, 1980, p. 174). As Keynes himself explains, the liquidity preference reflects nothing but the normal withdrawal of investors who expect to obtain larger annual proceedings if they invest later instead of now (Ibidem, p. 201-2).

[45] The comparison De Brunhoff makes between the concepts of hoarding of Marx and Keynes (De Brunhoff, p. 36-42) seems inappropriate since Marx's concept concerns simple circulation, whereas Keynes' refers to a phenomenon of interest-bearing capital in developed capitalism. It is surprising that she does not resume the comparison when analysing Marx's concept of credit money and credit system.

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