MARX(ISTS) ON MONEY: WHY MONEY IS NOT COMMODITY BUT THE MOST AUTONOMOUS FORM OF EXISTENCE OF VALUE

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This is very much 'work in progress'. The following notes represent only the current, deadline-missing, state of that progress. For intending participants with access to the WWW, up-dated notes may be available closer to the conference date. One consequence is that detailed references are missing. In particular I would like to acknowledge discussions on OPE-L as a source of many ideas.

I. Abstract

There is little doubt that for Marx, in common with the Classical Economists, money was a commodity that emerged historically and logically from amongst other commodities to play the role of means of payment, means of circulation and store of value. It is almost as uncontroversial to argue that sophisticated monetary instruments in advanced capitalist societies seem to have all but sloughed off any connection with anything that could reasonably be grasped as a commodity. The attenuation of the link with bullion is a matter of historical record, and we may be moving into an era in which any necessary connection with state-backed notes and coins becomes decreasingly relevant. Money, it would appear, is becoming essentially electronic money. It is clear how this can act as an efficient means of circulation. It is less clear exactly how it can sustain confidence in itself as a means of final payment, especially internationally. And electronically stored information may seem to be a particularly insubstantial mode of storing value. Not only does it not enjoy the intrinsic value of bullion, but it seems decreasingly susceptible to state regulation.

Contemporary Marxist Economics, for the most part, cleaves to a commodity theory of money for *fin de millennium* capitalism. This is well-grounded in *Capital*, v.1, and has the advantage of maintaining a complete embodied abstract labour value economy 'underlying' the visible surface of capitalist economic relations. However, this orthodox Marxist approach has problems with the post-Sraffa critique of embodied labour values, and seems incompatible with the reality of modern monetary systems. Whilst bullion in the vaults of central bankers still plays some kind of stabilising and confidence-sustaining role in international payments, the monetary objects of the generality of advanced capitalist economic relations seem most un-commodity-like. They are not produced, *qua* money, by the expenditure of labour under capitalist relations of production with a view to them entering exchange. They have a social usefulness which is related neither to the labour embodied in them, nor to any wider costs of production. And their private usefulness is not to be consumed outside the sphere of circulation. Rather money can only continue to function as such by being condemned to circulate perpetually. Thus, we may say, money has neither a value nor a use-value, and so is not a commodity - the contradictory unity of value and use-value. The price of money is not related to some underlying value substructure, but is rather the reflex of the price of all commodities. Its determination is a complex function of the success of the economies to which it is linked, the role of speculation, and changing state policies. This alternative - non commodity - view is typically associated with the Marxist critique of economics, and so of the capitalist economy of which it is an expression, rather than with Marxist Economics *per se*. But it is also associated with some eminent Marxist Economists, concerned to seek empirical tests of their theories in the observable monetary categories of contemporary capitalist economies - for example, Duncan Foley.

Working in the Marxist tradition does not entail seeking grounding for arguments only in Marx's own economic writings. Nevertheless, working in this tradition is usually motivated by an admiration for the insights of Marx's categorical system. Reconstructions and refinement of this, in the light of the history of Capitalism over the last 150 years, will be interested to examine the implications for the overall coherence of the Marxist system. The argument of this paper is, first, that we can reconstruct the relevant parts of Marx's economic arguments in terms of a non commodity theory of money, without losing any of its validity, and indeed thereby making it more applicable to late 20th Century capitalism. Second, that there is textual support for a non commodity, 'value-form' account of money in Marx's work. Third, that Marx's adherence to a commodity theory of money was an, albeit historically understandable, mistake; that mid-19th century capitalist money still had a strong link to bullion, but that commodity money can be shown nevertheless to be contingent with respect to the reproduction of advanced capitalist economies. In sum, commodity money is necessary neither to the logic of Marx's system, nor to the logic of advanced capitalism. These conclusions will be supported by the analysis of key exemplary passages from Capital.

II. Introduction

The typical modern economic account of money defines it first as a generally acceptable medium of exchange and means of debt settlement, useful in overcoming transactions costs of exchange, typified by the need for a double coincidence of wants. It is then also a store of wealth, transferring liquidity inter-temporally, and a unit of account. Cash is seen as a state liability, just as bank accounts are a liability of a bank.[1] *Soi-disant* 'commodity money' (that vested in objects with an intrinsic usefulness of their own) is perceived as characteristic of less sophisticated socio-economic systems. In the absence of a commodity base, confidence in money, required in order that it function as an acceptable medium of exchange and means of payment, resides in well-developed financial institutions (centred on a state-supported central bank acting as lender of last resort) and economic stability. A Marxist account does not necessarily dispute these various roles for money, but seeks to examine their interconnectedness within a specific, capitalist, social system. The functions of money are to be seen as *systemic* rather than merely pragmatic.

III. Marxism on Money

Foley's sophisticated modern Marxist encyclopaedia entry on money [Foley, 1983 #581], setting out its key characteristics under the headings of *Definition*, *Derivation* and *Functions*, may be taken as the framework for our discussion. We elaborate on these characteristics in turn, before problematising their interconnections.

A. *Definition*: Money is initially defined as:-

1. The general equivalent form of value. ....

2. Pure exchange value.

B. *Derivation*:

The category 'money' emerges from the logic of the system's reproduction, as well as historically from its development.

1. In its **Logical** derivation, Money is inherent/latent in the Commodity form of production organized by exchange. Sophisticated commodity production and exchange *requires*, or at least would be very inefficient without, a general equivalent. This notion is highly congruent with to the orthodox transactions costs ('double coincidence of wants') insight. Money emerges logically in *Capital* as the *general equivalent* from the consideration of commodity exchange (Part 1, v.1 of *Capital*). The meaning of 'general equivalent' here includes: i) that which *measures* the value of every other commodity - Money is a unit of account for expressing prices; ii) the notion that to function as the general equivalent, money requires *social recognition* as the *sole* general equivalent. Such social recognition is then to be grounded either in the universally recognised intrinsic worth of the money-object, or in the efficacy of the market system, or in the sovereign powers of the State, or in some combination of these.

2. In Foley's - as in most Marxist - account of the **Historical** emergence of money, there tends to be a subtle slippage in the focus of enquiry from Money to the historically important, but systemically contingent nature of the *money-object* as a moment of the grounding of Money. Particular money *objects* (paradigmatically, bullion) emerge historically by virtue of their convenient natural characteristics. Under capitalism a *commodity* emerges as the money-object, of which bullion is the most prominent because of its convenient natural characteristics (malleability, divisibility, durability, etc), as well as because of the intrinsic value socially attributed to it trans-historically (whether for rational and/or mystical reasons).

With respect to the monetary object, it would seem the dominant Marxist account needs to examine the insights casually adopted by orthodoxy - that *fin de millennium* money has all but sloughed off its connection with any commodity as money object. In place of the detailed historical account called for here I offer the following indicative historical 'stylised facts':-

a. The emergence of trade and production credit.

b. The issue of bank token money.

c. The evolution of bank credit and a fractionally-backed banking system.

d. The emergence of state monopoly of token money (as fiat money).

e. The development of Central Bank as State's banker and bankers' bank (for example the Bank of England was established as a privileged though private monopoly of joint-stock banking in 1694, joint-stock rivals were permitted from 1826, and the Bank's effective monopoly of note issue was

[1] Although what it is that the State owes the holder of its currency, post-convertibility, is not obvious. It is presumably some kind of duty to defend the internal and external value of that currency.

finalised in 1844, with its role as ‘lender of last resort’, typically at penal rates, confirmed in 1847).

f. The debates from the late 18th Century onwards over the role of the Central Bank and of convertibility raised in embryo issues that exercise Finance Ministers and Central Bankers to this day: how to defend the value of the currency internally and externally with the minimum of inhibition of trade and accumulation. For example, in England, the suspension of convertibility in 1797 sparked the famous debate between ‘bullionists’ advocating convertibility as an inhibitor of Bank profligacy, on the one hand, and their opponents who saw inflationary pressures as originating in non monetary forces, and Bank responsibility being ensured by a ‘real bills’ rule of commercial prudence. The latter was, for a Central Bank in the absence of adequate State regulation, proved fallacious by the inflationary events that led to the emergence of a *de facto* gold-standard by 1800. The case , on grounds of efficient financing of economic growth, for a managed currency, was famously made by the ‘Birmingham School’ in the early 19th century. In the banking debates from 1820ff, the initial success of the ‘currency school’ (the heirs to the ‘bullionists’, who advocated strict statutory restriction of Bank note issue by its bullion holdings) marked by the Bank Charter Act of 1844 was eventually eroded by the ‘banking school’s’ advocation of demand-determination of note-issue in accordance with the needs of trade.

g. Technical developments, such as the development of an understanding of a general price level, and of index numbers to measure it [Hollander, 1979], and later the ever-increasing compass of definitions of ‘money’, made bullion and its price decreasingly relevant to macro-economic management.

h. The attenuation and eventual demise (1831) of the gold-standard internationally.

In general, the history of money and banking during the evolution of capitalism makes clear the ever-present and increasing role of social institutions in managing money objects, in pursuit of the reproduction of (the functions of) Money. More recently we can add:-

i. Increasing attempts to insulate the Central Bank from any policy except defence of the internal and external value of the currency (and concomitant regulation of the banking system).

j. The emergence of supranational monetary institutions performing some of the functions of embryonic regional and world quasi Central Banks.

At the microeconomic level, we need to note

k. the emergence of e-money, not only for inter-bank settlements, but also for retail bank transactions, Internet payments and, experimentally in a number of places, the electronic purse to replace petty cash transactions. E-money manifests most clearly Money as a unit of account and means of payment. And while the conditions under which it can be a successful store of value may need investigation, there is little doubt that it does so function.

These later developments, viewed as manifesting inter-temporal dialectical relations [Ollman, 1993] then invite us to revisit the past era of alleged commodity money. When we do so, of course, the social and sovereign determinants of the reproduction of even commodity money systems are thrown into sharp relief by such hindsight.

With respect to the money object, we need to distinguish **historical** from **systemic** necessity, as well as to examine their interconnection. Of course, throughout history money has been manifest in commodities and (as well as, in pre-capitalist societies, in useful objects in non-commodity forms). And it may have been a *historical* necessity at certain stages of socioeconomic development that money was indeed embodied in a commodity. This is what Marx thought. (Though even within *Capital*, it has been argued, notably by Steven Keen, Money develops from commodity money to non-commodity money.)

I want to argue strongly, however, that the logical diremption of Money from any particular commodity money object does not, of course, entail a divorce of Money from Commodity - the system of generalised commodity production and exchange. The accounts by the French Post-Aglietta Regulation school (for example, [De Vroey, 1981]) of the ultimate need for opened circuits of credit to be closed by successful integration of abstract labour in commodity production - if not in an orderly fashion then by more or less widespread crisis - remains in place. What is lost is only the notion of some more or less automatic regulation of the system by an underlying economy of embodied labour, in which the conditions of production of a money-commodity form the closing link. But, in my view, it beggars belief that Capital’s drive to valorisation and accumulation should long be inhibited by the production conditions of the money commodity.

C. The key *functions* of Money are ranked by Foley into primary and secondary functions.

1. **Primary Functions**

a. **General Equivalent** (sole, socially recognised). This, presumably, we are to see as a *defining* function that emerges logically and historically as above. Money is, in its most fundamental and abstract determination, *the general equivalent expression of value*. In the actual abstraction in markets heterogenous labours and useful objects are systemically and systematically commensurated by being transformed into Money. This is indeed the process by which useful objects and useful labours are reproduced in their capitalist double form respectively as Use-value and Money and Concrete and Abstract labour. Human potential is thus reduced to labour power, in the double form of potential concrete labour and the wage, its Value form. This is Money's essential import as an element of bourgeois society and the capitalist economy.

The Value-form gloss on this emphasises that though Money, in this sense, emerges from generalised commodity production and exchange, this does not, in itself, entail that the money-object should itself be a commodity. It entails only that it should be an effective general equivalent.

From this crucial import flows the other familiar functions of money. Value is Commodity's social/economic, in contrast to its natural, quality. And Money is the sole socio-historically specific manifestation of Value. Money is the existence of Commodity as pure quantity, as distinct from its existence as Use-value. *The essence of Money is socio-economic, not natural*. (Whereas the essence of Commodity is that it is the unity of a specific social form of its natural usefulness - Use-value - and this socio-economic moment - Value). Money is the autonomous existence of the socio-economic moment of Commodity.

b. Money as general equivalent is grounded in Commodity first as the **Measure of Value** , expressing Value as price, and so manifesting the equivalence of socially necessary Abstract Labour in exchange. For Foley, following Marx, this is expressed in terms of the money *commodity* in definite quantities, with currency names (£, $, etc) as a standard of price. However, this formulation, of course, implies, or at least is most congruent with, a 'gold' standard with full convertibility. But, as has been argued, Money as the standard and measure of Value is grounded necessarily, not in the production conditions of the money commodity, but in the systemic determinations of Commodity, within the framework of the monetary authorities backed by the State. As measure of value, Money certainly constitutes the social import of Value by providing its socially recognised measure, in conventional units. It is through Money that the quantitative dimension of abstract social labour as Value (the Money expression of abstract labour) is determined. But this moment of Money follows necessarily from it being the general equivalent concretisation of Value that itself commensurates heterogenous entities, regardless of its historically contingent concretisation in any specific money object.

2. **Secondary Functions** include medium of circulation, means of payment and store of value. *Pace* Foley, however, these are only 'secondary' in the sense of operating as *conditions of existence* of Money as the expression and measure of Value in the capitalist system.

a. As **Medium of circulation** of Commodity, C-M-C', requires a certain quantity of money per volume of C, per t, dependent on the total value of C, and the value of the money commodity (ie L/L/£=£, the price of commodities in circulation, *x*V, the velocity of circulation - T/£/t). Convertible tokens (notes and coin) may replace the money commodity for this function, Foley argues, just *because* it is secondary. First we should note that Credit (below) may also provide the liquidity that underpins this function. Indeed, the notion that circulation is a *secondary* function to manifesting abstract-labour values appears to rest upon a particular - 'productivist' - hangover from the era of embodied-labour accounts of value: the notion that value is created autonomously in *production*, and only 'realised' in *exchange*. But, I would argue, values only receive systematic quantitative determination in circulation - the systemic *intersection* of production and exchange. And Value is tendentially 'pure' quantity. The determination and redetermination of values is indeed the process by which the social system e*valu*ates products, and thereby the abstract labour by which they are produced. For modelling purposes, the money expression of labour (and so also its inverse, the abstract labour value of money) is only constituted by the systemic location of the labour process within the system of capitalist generalised commodity production and exchange that determines the processes of production and resource (social labour) allocation to different productive activities. As medium of circulation, Money permits this social validation of (the products of) decentralised labours. The quantity of Value is precisely the extent of social validation of private labours in the bourgeois epoch. Value-form accounts are led to this role of money immediately from the grasp of

Value as the mode of association necessitated by the inherent dissociation of economic activity in the bourgeois epoch [Reuten &Williams, 1989]. It is a crucial characteristic of the capitalist economy that the allocation of social labour to the production and distribution of useful objects is driven by the imperative that such objects, successfully, take the form of Commodity: that is that they are sold in a generalised system of markets for a money price that covers their costs of production and an adequate rate of profit. Concomitantly, the labour process proves its social legitimacy to the extent that its product is successful as Commodity. The capitalist economic system, via market mechanisms, generates and enforces (more or less effectively) incentives and constraints that manifest more concretely this determining force of circulation on allocation and production.

A crucial link in the intersection of exchange and production that is circulation is what might be called *pre-commensuration*: the speculative calculations of capitalist decision-makers in terms of the expected values of their future costs and revenues, expressed in money. It is then market competition that (ultimately) weeds out the unsuccessful capitals, and rewards the successful. Once again we see that Money's crucial interconnectedness with Commodity is not through any systemic necessity that Money is manifest in a commodity, but through the systemic necessity that commodities are reproduced as Value by successfully entering market regulated circulation, the intersection of production and systematic exchange.

Credit emerges as the deferment of settlement of contracts by money transfer, either in trade or production. As *conditions of its existence* as medium of circulation, Money is then determined as **Unit of account**, as long as credit chains persist. Thus far, credit is merely a facilitator of circulation, closely tied to the performance of abstract labour and creation of commodities. The specialised capitals that provide this financial intermediation are, of course, a variety of financial institutions, including, but not confined to, banks.

b. Given the extension of Money as means of circulation by credit, Money must also function as **Means of Payment**, mediating debtors' and creditors' relationship - especially when lines of credit unravel in periods of realization difficulties. The specific role of banks then goes beyond financial intermediation to the speculative issue of credit, namely Credit Money. In as much as this operates as money, it transcends the private contract between bank and borrower, and takes on the characteristics of money - manifestation of the general equivalent, store of value and medium of circulation. The issuing of credit is a speculative move (as are all acts of investment, whether physical or financial), in that advancement of credit anticipates future production and realisation, and indeed, valorisation. As such it facilitates that valorisation, and then accumulation. When credit extension is not subsequently validated by the successful production of commodities, the conditions of existence of Money may be undermined.

It is vital to note here that this has nothing to do with the fact that credit money is not embodied in a commodity. It is rather predicated on the tendential undermining of the regulation of resource allocation by the value-form that is *expressed in* the erosion of credit money. Once again, the necessary interconnections between abstract labour, Value and Money are not grounded in any necessary commodity basis for the monetary object.[2]

c. It is the **Store of Value** function of money that is most often cited as demanding 'gold'. Whilst it may be that contingently bullion can support the reproduction of Money as store of value, there is no systemic necessity about this. Conversely, to the extent that gold is in fact used as a store of value it is decreasingly acting as Money. It is primarily by reproducing itself as an on-going successful medium of circulation (above) that Money reinforces its role as store of value. This function is needed to facilitate circulation, in the face of trade and production credit. Individual bank credit would indeed be a too insecure store of value were it not grounded in inter-bank credit systems and a Central Bank as lender of last resort, reproduced as the bankers' bank and by its special legal status as issuer of state-money and regulator of banks. But the point is that it is precisely these *social* institutions, and not (except

[2] Even early in the historical development of Money, in the 1790s, it was as *circulating medium* that gold coin was important. Wholesale means of payment consisted rather of bills of exchange and bank deposits (albeit then backed through effective convertibility to the Bank's bullion reserves) [Laidler, 1988].

contingently) the existence of any intrinsically valuable money commodity (bullion) that are the conditions of existence of Money as a store of value. I am tempted to say that in as much as bullion is a store of value, it is not Money,

The social conditions referred to here are upheld by the State's responsibility for defending the external and internal value of the national currency, by its management of inflation and exchange rates. Of course, in this maintaining of confidence in money as a store of value bullion *may* play a role in sustaining confidence in a particular national currency. But this is a contingent, derivative (from the 'markets'' perceptions of the nations's economic performance), and declining role. It is because Money is crucially the sole existence of Value as form that it acts as a store of value, enabling, under certain conditions, the transfer of value as spending and investing power inter-temporally. It thus enables saving, investment and accumulation.

In this context, discussion about the pragmatic convenience of, say, e-money, as an effective store of value in different socioeconomic conjunctures is on a par with much older discussions about the pragmatic convenience of particular commodities as monetary objects in terms of malleability, divisibility, durability, intrinsic usefulness, scarcity, social acceptability (sovereign supported or not), mystic aura, or whatever. That is to say, such pragmatics are important in identifying what commodity may be grasped by the Money form, rather than in identifying the essential characteristics of Money as a social form.

d. **World money**

The final refuge of bullion-money is sometimes seen in its role of settling international debt. But, of course, this is now done overwhelmingly by payments in any acceptably 'strong' national currency (and, occasionally, in some crypto-world money such as 'Special Drawing Rights'). Of course, when confidence in a particular currency is undermined, deposits (including e-money) denominated in that currency lose, *paru passu* their ability to operate as a store of value. This may then develop into a self-fulfilling prophecy as there is a flight from that particular currency. It is clear that, in the event of a catastrophic loss of confidence in all national currencies (and no doubt any incipient international ones too), Value may take refuge in commodities whose most crucial characteristic is intrinsic scarcity (works of art, unique historical artifacts, rare stamps, etc), including bullion. Different commodities then act as more and less adequate stores of value. But this does not mean that the essence of Money is bullion, since the process we have been describing involves not the flight into a particular manifestation of Money, but the flight *from* Money. To that extent, the reproduction of the capitalist economy itself is tendentially undermined in such crises. Any flight into 'gold' is a flight *from* Money, as part of a flight *from* Capital.

3. **Money capital** arises from production credit (the extension of credit from the purchaser of commodities to their putative supplier/producer) and enables the accumulation of Money, by selling more than buying. It expresses Capital's command over labour power. For our purposes, we may just note that it is the successful deployment by Capital of Money, in what ever shape or form, for the purchase of labour-power and means of production and so the production and sale of commodities that validates and re-validates different money objects as manifestations of Money, the sole autonomous existence of Value.

IV. **The Value-form account of Money** has been deployed in this critical appropriation of the orthodox Marxist account of Money. Its systematic conceptual development claims to overcome the incipient arbitrariness of certain elements of both the standard Marxist and orthodox characterisations. It helps us to grasp the import of, and interconnections between 'defining', 'derived' and 'functional' characteristics of Money, and to legitimate the hierarchy of its functions. A systemic conceptualisation, such as the value-form approach, legitimates the hierarchical characterisation of the different moments of any element of the system by reference to its location within the system. In particular, it rests upon a distinction between those moments *necessary* to the reproduction of the system and their conditions of existence, and those, however significant in particular temporal or spacial conjunctures, that are contingent with respect to systemic reproduction. The value-form conceptualisation of Money may be summarised as follows:

Slide:[Reuten, 1989 #127: fig 2.1]

In general, the higher the level of abstraction at which the element is conceptualised, the more fundamental it is being asserted to be. The degree of 'fundamentalness' of a category is intended to capture the extent to which an element is necessary to the reproduction of the system, as opposed to being contingent. Within this approach, Marx's starting point in Commodity is trumped by what is claimed to be the more abstract, more fundamental starting point: the Value-form. Value is the specific social form of association that imposes itself upon economy and society in the bourgeois epoch, most crucially for our purposes, upon the socioeconomic processes of the allocation of resources to the production and distribution of useful objects. The most fundamental moment of capitalist Money, then, is as the sole near-autonomous (from any specific Use-value) existence of the Value-form. Of course there cannot be a form without content, but the import of this characterisation of Money is to emphasise the contingency of the content of the money object to its social role as the manifestation of value. Money is intrinsically one-dimensional quantity, whose content is thus contingent.[3] This is the most abstract level at which our critique of any necessity for a commodity basis to money appears.

In sum, for the value-form approach Money *is* the general equivalent concretisation of Value, which must therefore *be determined as* the socially accepted systemic measure of value, the *conditions of existence of which* are that it be a store of value and a medium of circulation.

V. **Marx on Money** {*sadly in need of much more work ...*}

The Cantillon (1734)-Hume (1752) quantity theory of money was still the dominant orthodoxy in England during Marx's formative years, so this is what he saw as requiring explanation. Even the Classicals, dominated by Adam Smith, assumed primarily commercial competitive banking against a back drop of convertibility. There was little theoretical discussion of emergent Central Banking. Pragmatic institutional development seemed to run ahead of the development of the economic theory of money and banking [Laidler, 1988]. Of course, the proposition that Marx did not *need* a commodity theory of money must ultimately be tested against those passages in his work in which commodity-money seems to play a crucial and irreducible role.[4] However, in order to establish that there is an issue worthy of investigation, some indications that Marx's work did indeed appear to be congruent with a value-form account of Money are offered. [Marx, 1973 #157: (written 1857) 141] argues that as Value, a commodity is qualitatively equal to all other commodities, differing only quantitatively. The qualitative difference between commodities clearly resides in their different Use-values. A commodity is different from itself as product, or use-value. Commodity is a *mere symbol* of Value. This formulation must cast serious doubt on whether Marx would have accepted the modern Marxist order of derivation that insists that Money is primarily a commodity, and that non-commodity forms of Money are then mere symbols of that commodity. The point is that in its moment as Value, Commodity is *in itself* only a symbol of value! The Value moment of Commodity is general - as opposed to its particularity as a Use-value. Thus Commodity is the general equivalent only in as much as it is Value; in as much as it can slough off its intrinsically particular Use-value. That is to say Commodity is Money only as long as it ceases to be Commodity! Thus not only is Money not intrinsically Commodity, but it is intrinsically not a commodity... . That is to say, its historical emergence in the guise of a commodity - bullion - is systemically contingent. Commodity-money fails to capture the essential nature of Money as a fundamental element of the capitalist economic system.

Thus Money is not Commodity. Rather, '..., all properties which may be cited as the special qualities of money are properties of the commodity *as exchange value*, ...' [Marx, 1973 #157: 142, emphasis added]. As Value, a commodity *is* Money. But, of course, Commodity is necessarily the contradictory unity of Value *and Use-value*. Thus, whilst we can say Commodity is Money (in as much as it is Value); we *cannot* thereby assert that Money is Commodity. The argument that Money is not Commodity, although the money object may sometimes be a commodity (when commodity money is merely an historically contingent guise of money), is thus based at this very fundamental high level of abstraction. It thus does not depend on controversial arguments that Money is not Commodity because it is essentially credit-money, or because it is essentially state token money. Of course, such more concrete differentiations of the functions and phenomenal forms of Money may support the argument for the merely contingent, inessential nature of the bearer of money (in terms of

[3] It is, of course, this that drives the conceptual development forward to the next stage: to grasp valorisation and capital accumulation. There is, after all, nothing to be done with 'pure quantity' except to increase it!

[4] Such as: Capital, v1, ch III, p. 225 of Penguin edn; Value, Price and Profit, International Publishers, p. 52.

systemic reproduction).

VI. **Money and Commodity compared**

The value-form arguments for the systemic contingency of the manifestation of Money as a commodity may be further particularised by reference to the imperatives of semantic coherence in Marx's conceptual system. What essentially has been argued so far is that Money and Value are but two aspects of the same category. There is in Marx no Value separate from Money. Money is, at the most abstract and fundamental level, the sole autonomous representation of abstract labour as Value. On the other hand, Money and Commodity, although interconnected as Value, are categorically different moments of the capitalist system. The first architectonic indication in Marx's own major writings for something like a Value-form account of money is that Commodity *and* Money are both introduced in Part I of volume I of *Capital*, entitled 'Commodities and Money'. What is more, Value is introduced here in connection with *exchange* and then *circulation* of commodities. The role of *production* and the integration of labour is introduced only much later. It thus seems clear to me that the prime characterisation of capitalism for Marx is the determination of production by exchange, and the concomitant emergence of Value only in circulation - the interconnection of production and exchange.

A. *Commodity*

Commodity is primarily a useful object grasped by the Value-form. That is, as a key moment of the system of capitalist generalised commodity production and exchange, Commodity is necessarily both:-

1. The contradictory unity of Value and Use-value. Its Value - expressing its systemic social evaluation - is systematically related to the quantity of abstract labour required to reproduce it. Its Use-value - expressing in an alienated form its usefulness - is implemented outside the sphere of circulation, in productive consumption in another labour process, or in final consumption in the private or state sphere.
2. Produced by the incorporation of labour with a view to selling it for a price that is intended to cover its costs and the going rate of profit.

B. *Money*, on the other hand, as putative Commodity fails on both these counts.

1. It has no value systematically related to the labour required to reproduce it, only an infinite number of exchange values, one against each commodity [De Vroey, 1981 #583: 187]. Rather it *is* the sole quasi-autonomous social existence of Value. It has no Use-value, rather its systemic social usefulness is to be this existence of Value, bearing the social functions of Money.[5]
2. Money *qua* Money cannot be reproduced by the incorporation of labour in a capitalist labour process. It is not produced at all under capitalist relations of production with a view to selling for a price that covers its costs and the going rate of profit. It is reproduced only by social validation. It maintains this social usefulness, not by leaving the sphere of circulation, but, on the contrary, by being condemned to, actually or potentially, circulate endlessly within it.

Thus the only aspect in which Money is commodity-like is that its price is determined in various markets as the reflex of the price of all actual commodities.

VII. **The State and Money**

If the social validity of the various money 'objects' is not automatically reproduced by commodity-backing, then the social institutions that manage their social validity clearly need investigation. And for this, a key organising category is the State. At first glance it may seem that the State steps in to reproduce Money only once its automatic reproduction as a commodity by market forces fades. However, in managing Money the state is managing the social relations that Money mediates. Historically, the sovereign has long been involved in determining the price of the bullion in the national currency, the extent of cutting of gold when coined and the

[5] Cf [Hayek, 1960 #153: 324-6, 520-1] 'changes in the relative supply of money are ... much more disturbing than changes in any of the other circumstances that effect prices and production' because 'money, unlike ordinary commodities, serves not by being used up but by being handed on'. In this respect, we might say, money is at best a peculiar commodity. The consequence, for Hayek, is that monetary disturbances do not, unlike those in other markets, necessarily stimulate automatic equilibrating forces. Money cannot be reproduced by market forces alone.

enforcement of legal tender. Since the abolition of the gold standard and convertibility, the role of the State in the reproduction of Money has burgeoned, and that of bullion has been marginalised. Bullion has a role only to the extent that a state or some quasi-world-state international monetary institution choses to use it. The question arises as to whether the role of the State is (*pace* [Foley, 1983 #581]) any different in regulating Money as the standard of price than in regulating other conventional standards of length, weight and so on? On the one hand such a viewpoint helpfully emphasises that Money is a *dimension* rather than a *substance* (or even a *field*). But on the other hand, the regulation of weights and measures generally is a trans-historical rather than a specifically capitalist function for the State.

[Marx, 1973 #157: 150] locates the necessity of the State to the reproduction of Money in the contradictions of (commodity) money itself. He perceives one manifestation of this contradiction in the purely conventional nature of Money as standard of Value: 'Since the standard of money is on the one hand purely conventional, and must on the other hand find general acceptance, it is in the end regulated by law.'[Marx, 1976 #586: 102, cf 125] Though Marx talks of State paper as a mere token of bullion, it is clear that his 'law peculiar to the circulation of paper money' relates the quantity of money to the value (number x price) of commodity transactions. This is quite independent of any bullion standard [Marx, 1976 #586: 128-30] - except one based on existent expectations that paper money *should* be bullion-backed, that could act as a discipline on States tempted to undermine the value of their currency. [Marx, 1976 #586: 129-30] concedes that national paper money 'must have an [local] objective social validity of its own' enforced by the nation state. With the benefit of hindsight, it seems legitimate to recast what was troubling Marx here in the following way:- Bullion is in fact an historically specific token of money - albeit a rather effective one. That which tokens of money are tokens off is the social institution of money, not any specific money-object (commodity) such as bullion. Fiat money is then no less of a symbol or token than is convertible notes and coin. It is a state supported manifestation of the institution of money. In neither case - bullion or fiat money - is it the relative conditions of production of gold and other commodities that provides the datum or standard of value. Rather it is the relative conditions of value creation in different national economies that reproduces national currencies (expressed in notes and coins or financial instruments denominated in it) as standard of value.

VIII. **The Next Step**

A. Further research is required to examine Marx' account of money, primarily in *Capital*, in order to see how congruent the non-commodity, value-form account is with Marx's Marxism.

B. A further project would be to investigate the affects of the value-form conceptualisation of money on various contemporary Marxist theories of the capitalist economy, and critique of economic orthodoxy.

C. Empirical investigation is also needed of the development of e-monies, in particular with reference to how well they operate as a store of value (short-term? Long-term?) And under what conditions this role is undermined.

D. The role of residual Bank hoards of bullion would also bear empirical investigation.

E. The concretisation of Money calls ultimately for the filling out of the character mask 'Financial/Money/Banking Capital'.