Marx's Theory of the Money Commodity

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Abstract Marx defines the commodity in a unique way. His theory of the money commodity is a unique commodity theory of money. It developed from a political critique of the utopian socialists' concepts of money, labour time and exchange value. Besides using Hegel's dialectical method, Marx also adapted certain ideas from his elaboration of 'measure' in the *Logic* to develop his concept of money. Similarly his framework for relating 'price', which appears in circulation, and 'value', the essential relation in production, can be compared with Hegel's passages on the 'force' and its 'manifestation' in the *Phenomenology of the Spirit*. These influences on Marx's thoughts on money appear in the *Grundrisse* but inform the final version of his theory of money in *Capital I*, too.

1 Introduction

Marx was a nineteenth century political intellectual unconstrained by the disciplinary rigour or specialisation insisted on by late twentieth century academia. Marx's writings can be studied as sociology, philosophy, politics, economics, history, even as literature, though if studied from simply one perspective his work loses much of its richness and original message. An interdisciplinary approach is especially pertinent to Marx's theory of money, which is definitely not just an economic theory. Marx was a scholar and a revolutionary. The development of his unique concept of money seems to have been strongly influenced by his background in Hegelian and Young Hegelian philosophy as well as by his political views. Certainly if looked at purely as an economic theory various aspects of it make little sense.

Hilferding ([1910] (1981) tried to up-date Marx's concept of money earlier this century and De Brunhoff wrote a sympathetic analysis in 1973 (English edn 1976). More recently serious challenges to Marx's theory of money have appeared, along with reinterpretations, and even extensive revisions such as the neoMarxian credit theories of Foley (1982) and Lipietz (1983). But Marx's theory of money is clearly a commodity theory of money. He was opposed to nominalist theories of money in general. 'Though Marx hinted at a theory of money as social symbol and at a theory of banks as creators of money', writes Bellofiore (in Bellofiore (ed.), 1998d: 213), 'the substance of his argumentation is that true money must eventually be a commodity'. Yet the necessity for a commodity theory of money is not convincing because, as Foley and Wray (in Bellofiore (ed.) 1998c: 266, 295 respectively) point out, there are parallels between gold standard and state credit systems and the solid materialism of labour lies equally well at the base of credit and commodity monetary systems (Ganssmann cited in Bellofiore, in Bellofiore (ed.) 1998a: xx). Given that recent literature – for a review, see Nelson (1997: chapter 8) – raises legitimate questions about and develops on Marx's work, it seems most pertinent to ask exactly why and how Marx created his rather strange theory of money.

Marx's theory of money is not a conventional commodity theory of money. True, for money as a unit of acount or measure of value, he argues the need for a commodity standard, the value of which is determined by the costs of production. However, he defines the commodity in a unique way; the commodity is understood in philosophical or social terms as alienated human being, labour. Marx also borrows from nominalist theories in that he describes the means of circulation as a symbol. But he doesn't regard money primarily as a means of circulation; Marx gave priority to money as a measure of value. This priority is related to the importance of his law of value for his economic analysis. To distinguish it from more conventional approaches and to emphasise his identification of the necessity of money with abstract alienated labour, Marx's commodity theory of money is best referred to as 'the theory of the money commodity'.

Marx's 'money' evolved as part of a critical analysis of capitalist society in the literary context of British political economy, utopian socialism and Hegelian philosophy. This peculiar amalgam of sources and their contribution to his rarified theory of money are briefly discussed in section 2 of this paper. Marx's works are then discussed in an interdisciplinary way and in chronological order: section 3 refers to the early works of 1843-4; section 4 to those written in the decade 1847-57. The *Grundrisse* version is highlighted in section 5. This version most clearly shows the political context and significance of his theory of money and indicates Hegel's contribution. Already, in this work, one discerns the bases of the characteristic failure of all versions of his monetary theory to clearly explain empirical reality. The version in *A Contribution to the Critique of Political Economy (A Contribution)* is only briefly treated, in section 6, and it is the Hegelian influences in the *Capital I* version that are emphasised in section 7.

2 British Political Economy, Utopian Socialism, and Hegel

Marx submitted the work of political economists, especially Ricardo, to rigorous criticism, believing they provided the best available theoretical framework to analyse the dynamics of capitalism, certain vital aspects of which laid the material and social bases for a transition to communism. In *A Contribution* (1970: 78-9, 143n) Marx reviews the analysis of classical political economy which makes the value of a commodity the result of labour (-time). Benjamin Franklin, he says, is the first to assert explicitly that labour-time is the source of exchange-value, but Franklin did not understand the precise relation between money and labour. Ricardo got it wrong too. However, most significantly, the theory of money arises in political economy as part of a labour theory of value. Money is an aspect of the commodity and market exchange. For Marx 'value' is labour objectified and alienated in commodities and appears in circulation as 'exchange-value', which becomes 'independent' in money, the 'value-form'. Money is *necessary* for commodity exchange and therefore also for generalised commodity production. Further the commodity and money forms implicitly contain 'labour' and 'capital', the central subjects of Marx's study.

Marx's interest in mainstream economic analysis began in the mid-1840s. *The Poverty of Philosophy*, a frontal attack on the French utopian socialist Proudhon, appeared in 1847 (1975c) and demonstrates the political context of his thought. A decade later (1857-8), in what became the *Grundrisse* (1986-7), Marx still targets utopian socialists and British Owenites, claiming that their assumptions regarding money are as unfounded as their conclusions are ridiculous. Defining money was a matter of critical political significance for Marx because he charged the utopian socialists and British Owenites with exaggerating the potential of monetary reforms to alter the social system. They falsely imagined that the defects of the economic system could be removed by tinkering with money, just as the 'bourgeois apologists' Bastiat and Carey did, even if in a different way and for different ends. While Bray and Gray conjectured over creating new forms of money, Marx contended that notions about redefining or controlling money were useless and idealistic. So Marx's theory of money developed out of a critique of the utopian socialists' concepts of money, labour-time and exchange-value and it had definite political implications. He intended it to be a sound materialist theory of money.

Marx's intellectual debt to, and distinction from, the German philosopher Hegel are more complicated. While Marx's concept of money was initially inspired by Young Hegelian writings, Marx adapted Hegel's dialectical method and certain ideas from Hegel's *Logic* (1975), especially passages on 'measure' in the section on 'being', for its further development. Also aspects of Marx's framework for relating 'price', which appears in circulation, and 'value', the essential relation in production, seem similar to Hegel's elaboration of the force and its manifestation in the *Phenomenology of the Spirit* (1977). (These Hegelian influences are outlined in section 6 below.) However, Marx also criticised Hegel, especially for his idealism: Marx's concept of money was intended to be materialist and revolutionary. Yet I contend that it doesn't wholly escape from Hegel's idealism, and the dialectical interpretation and presentation has analytical weaknesses (see Nelson, 1999).

It is significant that, in line with Marx's intellectual sources – British political economy, Hegelian philosophy and French utopian socialism – contributors to recent debates on Marx's theory of money fall into parallel perspectives, i.e., the economistic, the socio-philosophical and the political. What is central is whether the theoretical difficulties involving Marx's 'value', 'money' and 'price' are surmountable and if so what their solution implies about the various interpretations of Marx's broader analysis. Neo-Ricardians, e.g., Steedman (1981), and certain value-form theorists, e.g., Reuten and Williams (1989), challenge Marx's labour theory of value outright. Other value-form and abstract labour approaches (reviewed in Nelson, 1998: chapter 8) offer a series of suggestions for interpreting, developing and/or revising Marx's work so that his labour theory of value remains the keystone of his analysis. The more political theorists, e.g., Cleaver (1979), tend to diminish the import of the 'transformation problem' (see below, section 4) and creatively try to draw meaning from Marx's method and theory for current sociopolitical concerns.

3 Early Works: 1843-1844

The passages on money in 'On the Jewish Question' (1975b [1843]) are striking. Marx wrote them with great passion. His criticism of Bruno Bauer is based on the atheist and materialist premises that religions and gods are social products and that in a commercial society money is the effective god. Marx decides that real human emancipation demands an end to the alienation of labour associated with production for the market. The god of commodities, money, must be dethroned.

What is indicated here might be called an alienation theory of money. At least, Marx's notion of money clearly falls within his developing theory of alienation. McLellan (1969: 133) observes that the major characteristics of 'alienated labour' in the 1844 *Paris Manuscripts* (also known as the *Economic and Philosophic Manuscripts of 1844*, 1977) are first presented here as the properties of money. Already these early writings connect what will later be termed 'abstract labour' and money. Although in this tract Marx doesn't yet speak of commodities, just of products, the analogy that he makes between religious reification and commodity fetishism is carried into his mature work, where Marx continues to speak of money as all-powerful, dominating and godly.

Religious analogies and the theme of alienation arise again in the substantial digressions Marx made in his synopsis of the *Elements of Political Economy* by James Mill (1844). Towards the end of these digressions Marx portrays money as typifying the domination of things over people (see 1975c: 218, 220-1, 226-7). The division of labour results in the 'abstract being' of a worker, spiritually as well as physically alienated from her/his product, whose only property is labour. Social relations are reduced to the exchange of things between people, to property relations. Exchange-value, distinct from what is later referred to as 'use-value', becomes materially independent in money. The abstract equivalence involved in the exchange of private property becomes, in money, 'the sensuous, even objective existence of this *alienation*'. With the exchange of objects between property owners the value of the product 'has risen up against us', writes Marx, and 'we are its property'. Exchange-value is the means and purpose of exchange, while 'man himself is...of *no value*'. Money is the epitome of this alienation: to all intents and purposes this is an alienation theory of money.

The passages on money in the *Paris Manuscripts* of 1844 are a rich description but seem less valuable as analysis, as developments towards a comprehensive theory of money. Marx's perception and analysis of money is conducted at a very high and all-encompassing level of abstraction and is easier to relate to a quasi-political and esoteric Young Hegelian intellectual context than to any traditional economic line, school or author.

4 Works: 1847-57

While none of Marx's works through the pre-*Grundrisse* period rigorously defines money in a very analytical or economic way, starting with *The Poverty of Philosophy* in 1847 Marx concentrates more on technical details as he attempts to account for concrete phenomena. He reflects, for instance, on recent crises, on banking practices, and monetary control via government policies. In the decade between writing *The Poverty of Philosophy* and starting the *Grundrisse*, the elaboration of what is referred to here as an embryonic alienation theory of money was suspended, as Marx absorbed the ideas set out in a whole series of very economic texts and attempted to analyse a lot of statistical data. However, the unifying thread through the 1840s and 1850s is his criticism of the arguments and assumptions of monetary and credit reformers like the utopian socialists.

Progress in the direction of a theory of the money commodity appears mainly in the earliest text, *The Poverty of Philosophy*. This work is interesting because in it Marx adopts some of Ricardo's views on money that he roundly rejects later in *A Contribution* and that he started to oppose by early 1851 (Nelson, 1999: 23-8, 84-7). While Marx initially supported a personal version of Ricardo's theory of money he quickly fell and remained, again partially, under the influence of Tooke. For the first time certain principles of Marx's final theory are made explicit: money is a commodity, say gold or silver; money is unique amongst commodities since it is always acceptable in circulation; the state or sovereign monetary authority is impotent with regard to the value of money. However, here Marx suggests that the value of money isn't based simply on production costs; unlike other commodities, its value is also derived from the interplay between supply and demand, the so-called Ricardian position he later retreats from.

Significantly the analysis in *The Poverty of Philosophy* already makes a distinction between money as a standard or measure of value, perhaps as a value itself, and money considered as a medium of exchange, simply facilitating the circulation of commodities. This dichotomy evolved as a dialectical contradiction central to Marx's analysis later as he sought to situate and 'solve' this distinction between the money commodity and other commodities dialectically. There 'money' becomes an economic category defined as both a 'universal' and a 'particular' commodity, a development of the 'commodity' which leads on to 'capital'. In effect his monetary theory expresses the central contradiction between production and circulation in the reproduction of capitalism. This contradiction is crucial to his final concept of a money commodity, since money as a measure and standard is a commodity but as a medium of exchange is not a commodity.

5 The Grundrisse

Marx's first, tentative, attempt to treat money in a comprehensive way is at the start of the *Grundrisse* ([1857-58] 1986 and 1987). Here the alienation theory of money turns into a theory of the money commodity, complementing Marx's theory of value. 'Value' is labour alienated and objectified in commodities, realised in exchange in the form of 'exchange-value', and becomes independent in the money commodity, the 'money subject of the money quality of all commodities' (1986: 104). Marx talks of the 'universal commodity', 'the equivalent', 'general commodity' and so on, or simply 'money'. The term 'money commodity' was only used later.

Marx wrote the critique of Bastiat and Carey in July 1857 (just before his famous methodological 'Introduction'). Though short and unfinished, this piece illuminates Marx's purpose in the *Grundrisse* proper. It provides the analytical context in which his concept of money arose and indicates the political and theoretical purposes it was designed to fulfil. Marx (1983: 270) described the *Grundrisse* to Lassalle, 22 February 1858, as a 'critical exposé' of capitalism. He argued that capitalism actually laid the material basis for communism: inadvertently political economy, especially that of Ricardo, provided theoretical propositions that supported the communist and socialist movements. This plainly political as well as dialectical perspective framed the development of Marx's detailed theory of a money commodity, which arose out of the bare bones of an alienation theory of money.

The central theme in the fragment on Bastiat and Carey became the main one in the long work, i.e., how to explain the contradiction of disharmony alongside harmony in the economy. Most theorists blamed state interference for the disharmony or called on government to correct it. They one-sidedly abstracted from the contradiction, presenting harmony as the natural state or perfection of capitalism. Instead Marx explained the co-existence of harmony and disharmony dialectically, as the interrelationship between simple circulation and production. In his concept of simple circulation, all exchanges are equal and free by definition. But this is only the formal and superficial aspect: the exploitative, unequal relations of production between capitalist and working classes are the more profound aspect. Harmony in the laws of simple circulation, accompanied by practical disharmony related to relations of production, is a real, explicable, dialectical and material contradiction, the veritable dynamic of capitalism. Marx's concept of money complements this general framework. The harmony of simple circulation and exploitative relations of production are treated in chapters 'Money' and 'Capital' respectively.

The Chapter, 'Money', involves implicit and explicit rebuttals of the monetary theories, credit theories and practical reform proposals of utopian socialists like Proudhon and Darimon and British Owenites like Bray and Gray. Marx claims that their assumptions are as unfounded as their conclusions are ridiculous. He does this by developing a concept of money based on a particular, albeit at the same time general, commodity, i.e., objectified labour made into an independent exchange-value by social processes. In particular he attempts to demonstrate the deficiencies of the utopian proposals for a 'labour money' or 'time chit' and claims that money not only is not, but also cannot be, an instrument of people's will. Commodity exchange spontaneously results in a particular commodity becoming the universal commodity or material representative of wealth. Proponents of a manageable money forget that money exists to realise value and that it is an integral element of market-orientated production and exchange. The value of money in terms of labour and commodities cannot be manipulated because its content is too general.

In the *Grundrisse* (1986: 84-5, 89), Marx presents a series of concepts, namely, product (activity)—commodity—exchange-value—money. He elaborates them in a dialectical way, addressing the main question that utopian socialists and other monetary reformers (like Proudhon) failed to answer, i.e.,'Why is money *necessary*?' In the absence of empirical, historical and other detailed evidence and arguments, Marx's dialectical presentation must assume a greater burden than description, its own tautological 'logic' providing a reason for the existence of money per se.

Marx explains dialectically the necessity for money within commodity circulation, why money need be a commodity (albeit of a special kind) and how labour and capital inevitably develop from commodity and money. A simple commodity producer exchanges the value of her/his labour with another via the circulation of commodities, using money as a measure and medium of exchange. Amalgamated in the simple commodity producer are the worker and the capitalist, the body and the mind. With respect to capitalist production, the *product* of labour becomes a *commodity* in circulation and is necessarily sold for *money*; the existence of commodities and money allows *wage labour* to appear and labour becomes a commodity sold for money, money thereby becomes *capital*. The dialectic of concepts follows the elaboration of 'value', which is created by *labour* in production and manifested in *commodity* circulation as 'exchange-value'. Exchange-value necessarily becomes independent in the *money-form* and finally 'preserves itself' as *capital* (1986: 179-80, 197). The final concept in the series is money which procures labour, i.e.,'capital'. This is the ultimate development and social limitation of the money form.

Marx analyses the conceptual categories of the bourgeois economy as products of 'alienation'. Human 'being', labour, is objectified and alienated in the commodity simply at first and then, with the advance to capital, in more complex ways. Marx's law of value is founded on the concept of 'abstract labour', usually referred to here as 'general social labour', i.e., 'alienated labour', which is a result of production for exchange. Every concept is related to labour and its particular bourgeois *form*, exchange-value. The value of the product is created by private labour producing for social exchange, so alienated labour is the substance of value, which is manifested in the exchange-value of the commodity. Independent as money, exchange-value acts as the measure of value, representing socially necessary labour-time involved in a commodity's production, and so on. Marx's explanation of the necessity of money and especially of a money commodity develops dialectically from his analysis of commodity circulation, as he identifies the basis of value in the 'socially necessary labour-time' involved in each commodity's production.

An obvious answer to the question 'What is common between commodities?' is that they are all sold for money. Marx seems to think that if, but only if, he makes money a commodity then he has a direct route to labour, making his theory of value a veritable labour theory of value. Recently various Marxian economists have argued that a credit theory of money is compatible with a Marxian analysis and/or Marx's theory of value (see Nelson, 1999: chapter 8). It is important to point out that Marx himself ruled this avenue out completely; Marx might have adapted or drawn inspiration from Berkeley's and Macleod's credit theories of money – which he roundly criticises in *A Contribution* – had he believed that a credit theory of money complemented his theory of value. Berkeley (1953: 106-7, 140) indicated that wealth was created by workers, that money was simply a title to wealth, and that even gold or silver money was simply credit. Besides being the symbol of an 'idea' Macleod (1855: liv) saw money as 'the symbolical store of unexpended labor', as distinct from commodities, which were 'the produce of expended labor'. Certainly, in terms of Marx's dialectical method, philosophical points, and political biases, adopting a credit theory of money would have required major readjustments to, if not a total overhaul of, his analysis and its presentation. In order to develop a labour theory of value Marx seems to think that he must make value, socially necessary labour-time, distinct from price, exchange-value expressed in monetary terms, i.e., an amount of a (money) commodity, although he still makes money part of the commodity world ruled by the law of value. If money is not a commodity this direct route to labour as the substance of value would seem to be blocked. In this sense it seems crucial to Marx's theory of value that he has a theory of a money commodity of the kind that he develops.

Given that Marx's measure of value, the money commodity, is dialectically both expression and result of his theory of value, circulation really involves an exchange of labour in the guise of an exchange of commodities. Since he conceives of money as a materialisation of (albeit socially necessary) labour-time, and because in his theoretical examples he so often confounds price and value, Marx's concept of money seems dangerously like the notions of labour money that he objects to. Nonetheless the significance of Marx's theory of a money commodity clearly stands out precisely in this context, for it is only that his money is a commodity and product of labour that seems to save it from the pure idealism with which he charges the utopian socialists (and Hegel).

It seems that Marx believed that redefining 'labour-time' as 'abstract labour' and 'socially necessary labour-time' meant that his money commodity could directly represent value without necessarily also implying that other commodities are sold at their 'value', suggesting that 'value' is much more subject to circulation phenomena than Marx's determination of value at the point of production indicates. Because Marx defines 'labour-time' as the substance of money, his money sounds like the labour monies he criticises. Still, while Marx's labour-time represented in value is *abstract*, e.g., it is socially necessary labour-time that determines value, this abstraction appears in a concrete commodity. In order that it represent objectified and socially necessary labour-time, Marx's money must be a commodity.

Marx's explanation of money, his development of exchange-value in the series 'product (activity)—commodity—money' appears as a simple dialectic of concepts. But this is not just due to his presentation, which resembles Hegel's approach in the *Science of Logic* (1976). It is due to the fact that Marx assumes labour 'value', as an already established concept in the school of political economy, and reconstructs the category 'labour-time' – as 'abstract labour' and 'socially necessary labour-time' – in order to explain the everyday world of prices, non-commodity currencies and the legal standard of price, the money commodity. He was conscious that he failed to do this in a transparent way, emphasised later by many Marxians in terms of the 'transformation problem'. This failure arises from the fact that in *Capital I* (1976a) price is proportional to value, whereas in the third volume (1981) prices are not proportional to values.

Marx's method has caused considerable angst. A discussion of various insights and difficulties in Marx's *Capital III* was the focus of a conference convened by Riccardo Bellofiore in Bergamo in the mid-1990s. 'Marx's method was not one of successive approximations,' argues Bellofiore (in Bellofiore (ed.) 1998a: xiii), 'but of moving gradually from the abstract to the concrete in the presentation of capital as the totality whose interior driving power is the dynamics of the valorization process.' An excellent representative sample of contributions to current debates on Marx's concepts of money and price can be found in works on Marx's method resulting from meetings by the Mount Holyoke College group (Moseley (ed.) 1993; Moseley and Campbell (eds) 1997) together with the products of the Bergamo conference, edited by Bellofiore, subtitled 'Method, Value and Money' (1998c) and 'Profit, Prices and Dynamics' (1998d).

It suffices here to say that the so-called transformation problem is generally seen as a mathematical or quantitative problem, even though, as Kemp (1982: 79) notes, Marx seems to have seen it as 'more of a philosophical problem of appearance and essence'. Marx's failure to demonstrate, comprehensively and convincingly, the link between his concept of value (and its various forms) and commonplace prices has badly damaged his economic theory. As it stands, Marx's theory of value is based on the philosophical and political proposition that value is labour. Marx moves from the very abstract 'value' towards the concrete 'price', but never actually gets to empirical market prices, even in *Capital III*. Despite his claims to being materialist and scientific, Marx seems too absorbed in and enmeshed by economic, political and philosophical *theories* of 'value' to understand why his concept(s) of value fail to satisfy many of his readers.

In opposition to the 'circulation tricksters' Marx characterises 'money' in the *Grundrisse* as *independent* exchange-value, expressing a commodity's social value in a form distinct from its use-value, as an integral aspect and result of exchange. 'It is essential to understand this clearly,' writes Marx, 'so as not to set oneself impossible tasks, and to know the limits within which monetary reform and changes in circulation can remodel the relations of production and the social relations based upon them'. To imagine that one can abolish systemic contradictions by replacing a monetary order that Marx claims is based on a produced commodity (metallic money) with a socialistic labour-money is foolish utopianism, since the real disorder is within the productive sphere: money is 'merely the palpable manifestation' of contradictions within production. Nor is the material aspect of money the source of monetary difficulties, even though it appears as the 'most striking, most contradictory and harshest aspect in which the system tangibly confronts us' (1986: 71, 83, 172). Money is the necessary consequence and expression of the circulation of commodities based on production for exchange. To be effective, reforms must directly touch productive relations.

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

Marx's analysis of bourgeois society, presented as a dialectical evolution of concepts involving both content and form (product/value—commodity/exchange-value—money/independent exchange-value—capital/self-expanding exchange-value) recalls Hegel's method in *Science of Logic*. Marx (1983: 249) wrote to Engels, 16 January 1858, that with respect to profit, 'Hegel's *Logic* at which I had taken another look BY MERE ACCIDENT' was 'of great use to me as regards *method* of treatment' and mentioned a need to 'write 2 or 3 sheets making accessible to the common reader the *rational* aspect of the method which Hegel not only discovered but also mystified'. Unfortunately Marx never conscientiously detailed precisely how he had utilised Hegel's dialectics and tailored his method for his own materialist ends.

The *Grundrisse* is littered with implicit as well as explicit references to Hegel. But Marx's 'Hegelianism' involves critical usage, subtle pun, deliberate misusage, point scoring and illustrating at one time, proving Hegel wrong or right at another. It has been widely observed that the 'Hegelian' influence is most marked in Marx's writings on money and is still evident in *Capital I* where explicit references to Hegel are minimal (see section 6 below). In fact Marx's elaboration of money in the *Grundrisse* is so 'Hegelian' in the pejorative sense that he even makes a note to himself at one point 'to correct the idealist manner of the presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts' and this especially with respect to the series 'product—commodity—exchange value—money' (1986: 89).

Marx seems to construct his theory at an alarming level of abstraction, even if with great dialectical elegance. Rather than grounding his analysis explicitly in empirical facts, Marx only illustrates from monetary history in a selective and casual way. Marx's explanation for the development and functions of money gains cohesion primarily through a stylised dialectic of concepts, moving from simple abstractions like labour-time to more complex or concrete abstractions, in which money must be a commodity. In this he seems guilty of a criticism he made of others in his 'Introduction' to this work (1986: 27, 89), i.e., of being more involved with 'a dialectical reconciliation of concepts and not of comprehending actually existing relations'. It is even possible that Engels (1983: 304) meant to imply this when he commented on Marx's theory of money in a letter to Marx, 9 April 1858. Although he sounded enthusiastic, he said it was 'VERY ABSTRACT ABSTRACT INDEED'.

Marx's theory of money cannot be neatly categorised as distinctively 'commodity' or 'nominalist'. It must be seen as a unique theory in which the 'commodity' is understood in philosophical or social terms as alienated human 'being', labour. Other commodity theories of money embody a crude materialism which Marx abhorred and in his significant sense Marx's theory is definitely more akin to nominalist theories of money that focus on social behaviour. With respect to money as a medium of exchange Marx's theory is at least superficially nominalist. However, as regards money as a unit of account or measure of value Marx argues for the necessity for a *commodity* standard, the value of which is determined by the costs of production. This tension doesn't concern Marx, the dialectician who prides himself in grasping concepts, and the reality to which they refer, in a more than one-sided way, and who presumes that such theoretical contradictions simply reflect or evolve from real ones.

6 *A Contribution*

In *A Contribution* (1970) Marx's theory of money is clearly only a particular, even if crucial, aspect of his theory of value, which involves an original conception of 'abstract labour' and 'socially necessary labour-time' but follows in the tradition of labour theories of value. Baldly stated, Marx's theory of value claims that the exchange of commodities implies the exchange of the various labours involved in their production: a commodity is objectified labour and its value is derived from the socially necessary labour-time involved in its production. Marx asserts that this process is not obvious because commodities are exchanged according to prices, in a common monetary unit. However this standard of price is also a measure of value and is a money commodity, its most appropriate material being a precious metal, say gold, or silver. Furthermore this universal equivalent is produced like all other commodities and obtains its value from the socially necessary labour-time involved in its production. In Chapter One, called 'The Commodity', money arises along with the exchange of commodities as a particular commodity, the universal equivalent, *value in general*.

In this first chapter (1970: 34) Marx examines the product as a commodity, a product of labour, 'labour which posits exchange-value'. In Chapter Two the product of labour that bears an exchange-value, the commodity, 'becomes' money. Exchange-value becomes independent in circulation, epitomised in '*money*'. This ultimate product of circulation, *money in general* introduces the subject of the never published third chapter on 'capital in general'. The presentation of Marx's theory of money is dialectical: his analysis seems to apply an 'Hegelian' framework, in which relations between people as producers are taken as the 'essence' of value, which is manifested superficially, i.e., 'appears' in circulation as price, as monetary relations between commodities. Marx (1983: 473) reminded Engels that *A Contribution* 'extirpates Proudhonism root and branch' and boasted to Weydemeyer (1983: 377) that:

> In these two chapters the Proudhonist socialism now FASHIONABLE in France - which wants to retain private production *while organising* the

> exchange of private products, to have *commodities* but not *money* - is demolished to its very foundations. Communism must above all rid itself of this 'false brother'.

Marx's theory of the money commodity is most clearly elaborated here, and the version appearing later in *Capital I* involves little further development.

7 *Capital I*: Hegelian Influences

Marx attempted to criticise bourgeois political economy and utopian socialism from a materialist and revolutionary standpoint, using dialectics as his method of analysis. Hegelian derivations are especially obvious in the first few chapters of *Capital I* where his theories of money and commodity fetishism are elucidated. Marx criticises his opponents for overlooking the qualitative character of money in capitalism, although the strength of his own theory is diminished because it is inadequate with respect to quantitative matters. In fact the complicated dialectical analyses that Marx constructed to support his political convictions introduced a truly novel perspective on 'money' and required considerable effort to elaborate.

The way that Marx describes money and its constitution out of commodity circulation has certain parallels with Hegel's discussion of 'being' and especially with passages on 'measure' in the two *Logics* and, to some extent, follows Hegel's discussions of 'essence' and 'appearance' and 'force' and its 'manifestation' in the *Phenomenology of Spirit* as outlined later in this section. Yet the relationship between Hegel and Marx was subtle and complex. After all Marx started as a 'Young Hegelian', and never applied Hegel's method or terminology in a direct or slavish way. Yet Marx's conscious and unique adaptation of 'Hegelian' dialectics and Young Hegelian ideas to his study of money is what makes Marx's analysis distinct from most analyses by bourgeois political economists or utopian socialists (except Proudhon).

Marx's angle on economics, his qualitative and social perspective which contributed so much to the success of *Capital* as a classic political and sociological work, at the same time seems to blind Marx to very real problems in his theory of money. Marx only superficially or partially succeeded in accounting for the two levels of reality that the terms 'price' and 'value' refer to for political economists and utopian socialists. Marx's concept of 'money' is particularly abstract and obscure. He cannot easily apply his undeveloped theory of money to mundane reality. One might conclude then that the adaptation of an 'Hegelian' dialectical method introduced a novel and interesting way for Marx to criticise other theories, but it was less successful as a method with which to analyse concrete reality.

In *Capital I*, Chapter One, Marx presents the evolution of the money commodity, the universal equivalent, as a four-fold development of the value-form ($VF_{1\text{-}4}$). VF_1 is characterised by a simple incidental exchange of two commodities. The 'total' or 'expanded' value-form (VF_2) refers to a series of exchanges between any single commodity and an infinite number of other commodities. The 'general' value-form (VF_3) illustrates the evolution of a particular money commodity. Finally, a specific physical unit of that particular commodity, say gold, becomes the standard of prices (VF_4), say £s (pounds). This elaboration of value-forms ($VF_{1\text{-}3}$) and the money-form (VF_4) is introduced by the concept of the commodity, dual value created by dual labour. According to Marx, these dualities in labour and value are made manifest by the money commodity, which acts as a universal and independent expression of pure exchange-value against the commodity which is bought purely for its use-value. Somewhat circularly, or rather, one expects Marx would insist, 'dialectically', in simple circulation the precondition for money is commodity exchange. Marx's 'simple circulation' is *monetary* exchange.

It is generally acknowledged that the 'Hegelianism' of Marx's mature work is most obvious in Part One of *Capital I*. Althusser (1971: 79-80, 85-6) even considers Marx's start to *Capital I* on the commodity and money so Hegelian and obscure that he tries to persuade first-time readers to skip it. Lenin regarded a knowledge of Hegel mandatory to appreciate Marx's 'rational' use of dialectics too; in his 'Conspectus of Hegel's Science of Logic' Lenin (1961: 180, 320) notes that 'Hegel's analysis of syllogisms' in terms of the various configurations of individual, particular and universal, 'recalls Marx's imitation of Hegel in Chapter I' of (*Capital I*) and that, in the series commodity—money—capital, Marx's 'commodity' corresponds with Hegel's 'being'.

Nonetheless it is controversial to what extent and in what ways Marx adapted Hegel's method for his own *materialist* analysis of bourgeois society. For examples, see the various interpretations and insights made by Carling (1986) Cleaver (1979, chapter V), Cooper (1926); De Brunhoff (1976), Lenin (1961: 226), Likitkijsomboon (1992), Pilling (1980) and Shamsavari (1986). For the most recent observations on Hegel and Marx and money, see, especially, Arthur, Levine, Faccarello, and Bellofiore and Finelli in Bellofiore (ed.) 1998c and Arthur in both Moseley (1993) and in Moseley and Campbell (1997). What is striking and undeniable is that Marx's theory of money, both as value-form and money commodity, is quite unlike other economic and political theories of money. This is largely due to his dialectical interpretation and arrangement, for the content, based on the functions of money, is not so rarefied. Money already appears as a measure of value in Chapter One. In Chapter Three Marx outlines and details all the functions of money in circulation, first and foremost again in its *quality* as measure, then as medium of exchange (with special emphasis on the *quantity* necessary for circulation) and finally as money as money (like Hegel's 'notion as notion'?). Regarding the latter he presents money hoards, trade credit and 'world money' in a way that shows certain parallels with Hegel's dialectical elaboration of logic.

In the English edition of *Capital I* Marx expressly acknowledged Hegel's contribution to his education and style, especially obvious in the first chapter, but he also made it clear that he had broken from Hegel in fundamental respects, even though the details of these differences were not explicit. In broad terms, Hegel was an idealist, Marx emphatically a materialist. It was Hegel's method of dialectics that Marx admired, Hegel 'being the first to present its general forms of motion in a comprehensive and conscious manner'. But Marx only adopted this method on the condition that he turn it 'right way up' too, 'in order to discover the rational kernel within the mystical shell' (1976a: 103).

When Marx speaks of the equivalent as the '*immediate materialization of abstract human labour*' in the first edition of *Capital I* (1976b: 20), we should understand this in the sense of the further remark: 'It is only the *concept* in Hegel's sense that manages to objectify itself without external material'. Marx's money is the material product of concrete labour: it is also objectified and alienated abstract labour. Does his self-proclaimed materialistic theory of money constitute a materialist version of the undeveloped alienation theory of money that Marx started with? 'Money,' he still writes in *Capital I* (1976a: 144), 'is the absolutely alienable commodity, because it is all other commodities divested of their shape, the product of their universal alienation'. Money is 'absolutely alienable', as exchange-value entirely cut loose from the use-value that originally bore it, yet it has a limited independence since it only mirrors the value of the other commodity (1976a: 205). Alienation remains, but presumably the very fact that money is a commodity, that it is material, constitutes the essence of Marx's materialism here. Unlike Hegel's 'concept' of measure, money as a measure of value has an independent material basis. Marx as it were 'reappropriates' Hegel's logic, that is concentrated in a mental realm, to redirect it to explain and describe people's behaviour, that he decides is the very source of Hegel's logic anyway. Marx is not a crude materialist. The commodity is socially defined. Objects and services become commodities not only because they are perceived as such but because they are treated as commodities by the people who produce and exchange them.

While they do not coincide, because Hegel and Marx have different objectives and are discussing different subject matter, there are certain parallels between Marx's elaboration of money as $VF_{1-3/4}$ and Hegel's discussion of quality, quantity and measure in the Minor *Logic* and *The Science of Logic* and again, with the section called 'Force and Understanding: Appearance and the Supersensible World' in *Phenomenology of the Spirit*. I have detailed the correspondences between Hegel's and Marx's works elsewhere (1999). It must suffice here to present some of that evidence in Table 1, which compares an extract from Hegel's passages on the concept of measure in the *Science of Logic* with extracts from Marx's concept of the development of the value-form as presented at the start of *Capital I*.

Table 1. Hegel's Measure compared with Marx's Value-form(s)

From the *Science of Logic* (1976: 330-31) and *Capital I* (1976a: 139-57)

HEGEL	MARX
	VF_1
'AT FIRST, MEASURE IS ONLY AN *IMMEDIATE* UNITY OF QUALITY AND QUANTITY, SO THAT : (1), WE HAVE A QUANTUM WITH A QUALITATIVE SIGNIFICANCE, A *MEASURE*	'The linen is only able to represent its own value in coats, by relating itself to a determinate coat-quantum as a *given quantum* of crystallised human labour', where the coat is a simple equivalent, a 'physical body' which 'becomes a mirror for the value' of the linen while the latter is like all other commodities which 'are simply congealed quantities of human labour'.
THE PROGRESSIVE DETERMINING OF THIS CONSISTS IN *EXPLICATING* WHAT IS ONLY *IMPLICIT* IN IT, NAMELY, THE DIFFERENCE OF ITS MOMENTS, OF ITS QUALITATIVELY AND QUANTITATIVELY DETERMINED BEING.	'The internal opposition beween use-value and value, hidden within the commodity, is therefore represented on the surface by an external opposition, i.e.,by a relation between two commodities such that the one commodity, *whose own* value is supposed to be expressed, counts directly only as a use-value, whereas the other, *in which* that value is to be

HEGEL	**MARX**
	expressed, counts directly only as exchange-value'. 'We perceive straight away the insufficiency of the simple form of value: it is an embryonic form which must undergo a series of metamorphoses before it can ripen into the price-form.'
THESE MOMENTS FURTHER DEVELOP THEMSELVES INTO WHOLES OF MEASURE WHICH AS SUCH ARE *SELF-SUBSISTENT*. THESE ARE ESSENTIALLY IN RELATIONSHIP WITH EACH OTHER,	'the simple form of value automatically passes over into a more complete form…different simple expressions of the value of one and the same commodity arise…limited only by the number of different kinds of commodities distinct from it.'
	VF_2
AND SO MEASURE BECOMES (2), A *RATIO* OF SPECIFIC QUANTA HAVING THE FORM OF SELF-SUBSISTENT MEASURES. BUT THEIR SELF-SUBSISTENCE ALSO RESTS ESSENTIALLY ON QUANTITATIVE RELATION AND QUANTITATIVE DIFFERENCE; AND SO THEIR SELF-SUBSISTENCE BECOMES A TRANSITION OF EACH INTO THE OTHER, WITH THE RESULT THAT MEASURE PERISHES IN THE *MEASURELESS*. BUT THIS BEYOND OF MEASURE IS THE NEGATIVITY OF MEASURE ONLY IN PRINCIPLE;	'Every other physical commodity now becomes a mirror of the linen's value.' Also 'it is…the magnitude of the value of commodities which regulates the proportion in which they exchange'. 'Firstly, the relative expression of value of the commodity is incomplete,' however, 'because the series of its representations here comes to an end…Secondly, it is a motley mosaic of disparate and unconnected expressions of value'. Also here 'human labour in general…has no single, unified form of appearance'. 'The expanded relative form of value is, however, nothing but the sum of the simple relative expressions or equations of the first form…If, then, we reverse the series…if we give expression to the converse relation already implied in the series, we get…'
	VF_3
THIS RESULTS (3), IN THE POSITING OF THE *INDIFFERENCE* OF THE DETERMINATIONS OF MEASURE, AND THE POSITING OF REAL MEASURE - REAL THROUGH THE NEGATIVITY CONTAINED IN THE INDIFFERENCE – AS AN *INVERSE RATIO OF MEASURES*	So that, 'through their *common* value-expression…all commodities…relate…to one another as *amounts of value*, *equate* themselves *qualitatively* to one another, and *compare* themselves *quantitatively*. Only in this *unified* relative value-expression do they *appear* for the first time as *values* for

HEGEL	**MARX**
WHICH, AS SELF-SUBSISTENT QUALITIES, ARE ESSENTIALLY BASED ONLY ON THEIR QUANTITY AND ON THEIR NEGATIVE RELATION TO ONE ANOTHER, THEREBY DEMONSTRATING THEMSELVES TO BE ONLY MOMENTS OF THEIR TRULY SELF-SUBSISTENT UNITY WHICH IS THEIR REFLECTION-INTO-SELF AND THE POSITING THEREOF, *ESSENCE*'	one another, and their value consequently obtains for the first time its corresponding *form of appearance as exchange-value*.' 'The commodities now present their values to us, (1) in a simplified form, because in a single commodity; (2) in a unified form, because in the same commodity each time.'

In the light of the parallels shown in Table 1, it is notable that Marx (1987a: 393) points out in a letter to Engels, 27 June 1867, that VF_4, the money-form, is added simply for the sake of continuity and that Marx considers it of negligible conceptual significance compared with VF_{1-3}, which involve real qualitative transitions or developments of the value form. Also note that only the similarities from *Capital I* (1976a: 139-57) and *Value* (1976b: 23, 27) with Hegel (1976: 330-31) are emphasised in this table.

In the paragraph following the one cited in Table 1, Hegel (1976: 131-2) elaborates on the kind of measure that the money commodity represents in Marx's theory, an intrinsic measure, part of the whole. Marx's immanent measure of value, socially necessary labour-time, almost coincides with Hegel's example of an immanent measure, an abstract form of motion. Aspects of the progressive evolution of the money commodity in Marx seem to shadow Hegel's development of 'real measure'. One might well substitute Marx's commodities, that are objectified labour, for Hegel's 'self-subsistent measures', 'no longer immediate' but instead 'material things'. Hegel's chapter on 'Real Measure' (1976: 331-4) ends with passages on 'The Measureless' that have certain similarities to Marx's passages on the circulation of money as capital in the *Urtext* (1987b: 495). Hegel's measure in its third aspect is 'measureless' which seems to be self-destructive, involves 'negation' and ushers in essence. Marx's 'hoard' involves negation and introduces capital.

Also, to illustrate certain features in common with Hegel's 'being', 'essence', and 'notion' respectively, we can refer to Chapter Three of *Capital I* where the functions of money are presented as measure of value, means of exchange and 'money as money'. 'Being' in Hegel is implicit, embryonic and immediate, as with measure and VF_1 in Marx. In Hegel 'essence' is reflected mediation, as with means of exchange and VF_2 in Marx. Finally, what is 'in and for itself' in Hegel, the 'notion', corresponds in certain ways with Marx's 'money as money' and VF_3. In summary Marx's *abstract labour* is the substance and *quality* of value, its magnitude or *quantity* is *socially necessary labour time* and its form in the commodity as *exchange-value* might be categorised as a *qualitative quantum*. Marx's concept of abstract labour exists in VF_1 in 'seed' form, as 'a simple relative value expression'; in VF_2 it is displayed in an infinite series of commodities or expressions as a relative quantity of socially necessary labour-time; and then in

VF3 'abstract labour' exists in *an* equivalent measure which reflexively displays the values of commodities in a single, though still relative, unit. Money then is *the* materialisation or manifestation of abstract labour: it is quite explicitly or absolutely *the* qualitative quantum. Value as living labour is like 'being', value as objectified labour in the commodity is like 'essence', while the independent exchange-value form of money implies value as an objectified 'notion'.

The way that Marx elaborates money from the commodity, as appearance-form of value also is similar to aspects of Hegel's discussion of 'force' and 'understanding' in *Phenomenology of the Spirit* (1977: 96-103). In this section Hegel discusses how real forces associated with understanding are inverted in superficial appearances from which common sense derives. Marx uses this distinction of Hegel's in a materialist way when he refers to the 'capitalist mode of thought' (a world of appearances and superficialities) that vulgar political economists are locked into, denying them any appreciation of the real inner workings of the capitalist system. The views Marx scorns look exclusively at the world of money, prices and profit and ignore the world of value and surplus value. Even classical political economists and utopian socialists, who both accept the connection between labour and value, concentrate on production and understand that two levels of reality exist, cannot discover the precise, i.e., 'abstract', nature of the labour which characterises production for trade. Marx regarded his concept of 'abstract labour', which was fundamental to his law of value, as a crucial discovery. However, if Marx's theories successfully explain the common sense world, they do so primarily from an Hegelian perspective.

According to Marx the 'inner world' of scientifically discovered forces and laws is the real basis of the lived reality of exploited workers and competitive capitalists and represents both the condition and the combined effect of their individual productive and trading activities. Hegel enters the inner world by way of appearances. Marx admits that mental appropriation has no other choice, yet he presents his analysis starting with the inner world and value, and works his way out to the surface phenomenon of prices (Hegel's method in the *Philosophy of Right*). Thus *Capital I* concentrates on production, *Capital II* on the circulation of commodities, and *Capital III* on monetary and financial relations. In Chapter One of the first German edition (1976b: 22n) of *Capital I*, a footnote reads:

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

Hegel seems to have offered Marx ways to re-interpret the theories and terms of political economy, especially with respect to the concept 'money', but also 'value' and 'price', and their connection to 'labour', so that in Marx's view the labour theory of value becomes more coherent and relevant to the struggle of the proletariat. It seems then that Marx's theory of money both reflects, and is created as a critical reflection on, pre-existing *theories* of money together with certain Hegelian concepts, rather than being created in an original way with reference in the first instance to mundane reality.

It is fundamental to Marx's theories of value and money that the money commodity represents, indeed materialises, socially necessary labour-time. But, because it is subject to the law of value, the money commodity has a fluctuating value. While there are considerable difficulties with a variable standard, Marx does not see this as a barrier to the money commodity performing all its necessary functions including being a measure of value. The quality of the money commodity as a realiser and claim to value is paramount and, in fact, it is important for Marx that the universal equivalent only passively reflects the 'relative' value of the commodity being sold. Synchronically Marx's model is not difficult to understand, but the permanent variability of value over time makes any measure for it appear problematic. From one perspective it appears akin to using elastic for a tape measure. This primacy of the measure of value function of money over that of standard of price and its function as means of circulation seems to spring from Marx's *theory* of value.

More questions remain about 'price'. As mentioned, many goods that are not produced by labour command a price, and what money might measure here Marx cannot explain. Marx believes that he neatly draws a correspondence between money as measure of value and standard of price by referring the same unit of gold to production in one direction and circulation in the other. But this is not so neat in the framework of his general analysis in which various meanings are given to the concept of 'price'. In her 'Postscript to the Second Edition', de Brunhoff (1976: 125-9) sees it as a failing that Marx has '*no general theory of prices*' to explain the various shifts in its meaning throughout his works, especially with respect to the differences between the first and third volumes of *Capital*. Marx (1976a: 193,196, 202-3, 214) indicates on one hand that any alteration in the value of gold 'affects all commodities simultaneously', yet later he acknowledges that new prices expressing gold's new value can only spread in a slow way through the commodity system. In the section on realisation he theorises on the assumption that values equal prices, while he has just described the law of value as involving a process which means that prices rarely equal values. Here 'money' appears inadequate as a measure of value. In particular, if the value of money is variable, how can it support a coherent pattern of equivalent exchanges through time?

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

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

Despite criticisms I maintain a strong respect for the rich and complex thought of Karl Marx. Though flawed, the breadth and depth of his thinking on money is impressive even today. Having read many and various theories of money in order to study Marx's in a broader context, I am very aware of the paucity of ambitious and sound analyses in this area. The reasons for this otherwise surprising fact are fairly clear. As Marx's biographer Mehring (1936: 264) observed, 'how should a world which had enthroned money as its God aspire to understand it'?

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