Money and Credit in Marx's Political Economy and Contemporary Capitalism

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Anitra Nelson, *Marx's Concept of Money: The God of Commodities.* London and New York: Routledge, 1999. Pp.Xiii + 254. ISBN 0-415-18200-X. Price: 55 Pounds.

1. Introduction

It has often been remarked (even by Marx himself) that Karl Marx (1818-1883) apparently knew so much and wrote so copiously about money without being able to 'make any money' himself. Indeed, most of his life he spent in poverty, often being unable to feed his children, unable to pay a doctor to tend to family ailments, and mostly being financed by journalism and his lifelong friend, Friedrich Engels, who himself was a capitalist in the cotton industry.

Of course this is perfectly understandable. Marx was not interested in 'making any money', being more concerned with the major tendencies of the capitalist system, including monetary relations. Money, credit and finance are central to his analysis of capitalism. Yet major works on the subject have been few and far between. Rudolf Hilferding extended Marx's analysis to more recent changes to the system in the early twentieth-century in his famous *Finance Capital* (1910), but between then and the 1960s little was written of great value *and* relative length on the subject. Marx's analysis of money and credit - including extensions to his analysis based on further developments in capitalism - was a relatively ignored area of study. However this changed with the revival of interest in political economy in the 1960s on to the present.

Many dozens of good articles have recently appeared on Marx's analysis of money and credit. But only three monographs stand out. The first is a short book by Suzanne de Brunhoff, simply called *Marx on Money* (1973; translated into English in 1976; preface by Duncan Foley). This was a very serviceable work that introduced thousands of scholars to Marx's analysis of money for the first time. De Brunhoff examined Marx's 'general' and 'complete' theory of money; plus the circuit of money capital, credit, and the business cycle.

Nearly two decades later, Pichit Likitksomboon (1990) completed a PhD (supervised by Bob Rowthorn) at Cambridge on *Marx's Theory of Money: A Critique*. Likitksombon recognises the centrality of money in Marx's works, and the extent to which it is based on a dialectical method. He criticises Marx's analysis of money as being undeveloped, and then proposes a research program for improving the analysis. He wanted to develop the analysis, especially in relation to the major contradictions of capitalism, the emergence of economic crises and cycles, the circuit of capital, unproductive activities and financial instability.

The third book, Anitra Nelson's *Marx's Concept of Money* (1999), is the subject of this review essay. Nelson surveys and criticises Marx's analysis from the earliest works on alienation through to the *Grundrisse*, *A Contribution to the Critique of Political Economy*, and the three volumes of *Capital*. Then in the final chapter she examines contemporary Marxian analyses of money and capitalism.

Her main hypothesis is that Marx's theory of money is problematical, firstly, because it is based on the money-commodity (gold), and secondly, because he follows a dialectical method that is more idealistic than materialistic. These two problems mean that Marx supposedly failed to develop a realistic and factual analysis of money under capitalism. The work of modern Marxists, in general, gets a more favourable review, because some of them have supposedly managed somewhat to eschew both the commodity-money theory and an excessively dialectical method.

2. Evolution of Marx's Work on Money

There are eight chapters in Nelson's work. In chapter one she argues that Marx had both a commodity and a nominalist theory of money. The commodity theory is based on gold, and relates to the unit of account and measure of value functions of money. The nominalist theory, like chartalism, relates to money being a symbol, especially linked to money as a means of circulation. She puts the emphasis on Marx's commodity theory of money, based on gold, and all through the book she seeks to illustrate problems with this perspective.

Chapter two examines Marx's alienation theory of money, especially in relation to his *Economic and Philosophical Manuscripts of 1844*. Marx was, of course, in the early years of his academic development a 'young Hegelian', and related in his own work alienation - a topic Hegel wrote on - to money and private property. Here money is seen as typifying the domination of objective forces over people, with money being the epitome of this subjugation. Money is the objectification or estrangement of human beings from themselves, from other people, from the products of their labour and from their species being (human beings are social animals). Nelson believes that Marx has not developed the analysis of money from an economic perspective at this stage.

Chapter three deals with Marx's works between 1847 and 1857, prior to the writing of the great *Grundrisse* manuscripts of 1857-58. In the *Poverty of Philosophy* (1847), for instance, Marx is said to have developed in embryonic form his commodity theory of money, based on gold or silver. Here for the first time Marx concentrates on money 'as economics'; not the social relations of alienation but the social relations of exchange and production. Marx goes beyond money as medium of exchange to money as measure of value. During this period Marx develops the notion that crises are due to the contradictions of capital in the sphere of production, and that monetary and financial relations (including over-speculation) may exaggerate but are not principally the cause of economic crises.

The next two chapters scrutinise Marx's first major forays into creative political economy in the *Grundrisse* (1857-58; chapter four) and *A Contribution to A Critique of Political Economy* (1859; chapter five). In the *Grundrisse*, Marx for the first time links alienated labour to the theory of value; labour becomes objectified and alienated in commodities and is realised in exchange values; and labour time is the 'substance' of money. The conflict between capital and labour is latent in the value of exchange under capitalism, and in this sense money becomes capital. Money is important for the formal possibility of crises as simple circulation (separation of purchase and sale), and credit enables chains of bankruptcy to dislocate the circuits of capital. But the necessity of crises is predicated by the sphere of production, the contradictory process whereby surplus value is produced.

It is in the *Grundrisse*, according to Nelson, that Marx for the first time develops a detailed view of the *separation* of production and circulation. The sphere of production is the sphere of conflict between capital and labour, where socially necessary labour time is created, while circulation (exchange) is the sphere of 'liberty, equality and freedom' where prices are generated. Prices may differ from values if supply deviates from demand. Marx continues a theme developed earlier, namely, that tinkering with the sphere of circulation cannot dissolve the major problems of capitalism; real changes must come from production where workers are exploited and alienated. Hence actions by the state to 'tinker' with money, or create 'labour chits' and distribute according to labour performed - as distinct from fundamentally changing the production relations - is unlikely to result in the changes required to solve the major socioeconomic problems of capitalism.

At this point in Nelson's work (p.52 of chapter four) she starts to detail a theme continued until the end of chapter seven: that Marx's use of a commodity theory of money, his analysis of the relationship between values and prices and his explanation of the dominant contradictions of the system are all problematical. Marx is said to utilise an idealistic and abstract dialectical method, under the influence of Hegel, which prevents him from having a proper materialistic and realistic view of capitalism; for instance, in looking at the influence of the state on monetary relations. As she says: 'The *Grundrisse* version [of money and contradictions] clearly shows the political context and significance of Marx's theory of value, as well as the contribution of Hegel to his elaboration of the subject. But it fails to show that his theory explains *empirical reality*' (p.74). On the one hand, Nelson criticises Marx's use of the commodity theory of money - based on specie - and on the other hand she attacks his method as being too abstract and Hegelian-dialectical. The two problems are thought to be closely related.

In her discussion of *A Contribution to a Critique of Political Economy* (1859), Marx's first published book on political economy, the critique is continued. In assuming that values equal prices, and that commodities are sold at a price corresponding to socially necessary labour time, Marx is said to ignore problems of lack of demand, the circulation of money and potential problems with the commodity-money theory. Nelson seems to think that Marx should have followed a different method. Thus:

> To Marx, a dialectical method seemed to provide the necessary holistic approach. Unfortunately, Marx's elaboration is flawed precisely because it often fails to explain the 'mechanical angle'. … [I]n fact in Marx's theory of money the dialectical paradigm is more obvious than is a detailed materialistic analysis of the mechanisms of the monetary system. (Nelson 1999, p.94).

The same critique of Marx's use of "commodity money" and "abstract theory" permeates her chapters (six and seven) on Marx's *Capital*, volumes 1-3. She believes that Marx's theory of money changed little from the late 1850s through to the 1870s. Nelson is unimpressed with the sections in volume one of *Capital* on money, the material in *Capital* volume two on the circuit of money capital, and the numerous chapters on credit and interest in volume three of *Capital*. Particularly frustrating for Nelson is that Marx is said to examine credit (in volume three of *Capital*) while still adhering to his commodity-money theory. '[S]ince Marx the materialist claimed to explain reality, it is particularly damaging to his project that he failed to do this clearly and satisfactorily with respect to money' (p.152). The main problem is that 'Marx presents his theory of the money commodity in a particularly Young Hegelian, "Hegelian", and "dialectical" form which dominates, if not fully determines, its content' (p.153). Much of the last chapter on Marx's analysis of money - chapter seven - then seeks to show how Hegelian Marx's analysis is and why it is deficient. She concludes this chapter by saying that 'This is why Marx's concept of money must be understood in the political and philosophical context of its making, because many aspects of it make little strictly economic sense' (p.186).

In the 'Conclusion' to the book, Nelson examines post-Marx work on money by Marxists. She criticises Hilferding and Luxemburg for sharing 'fundamentals' with Marx, that real or commodity money supports credit money. Samir Amin is supported by linking Marxian ideas with Keynesian insights about credit money. She is agnostic about de Brunhoff's book. Suprisingly little is said about Likitkijsomboon's work, which tries to reconstruct Marx's (dialectical) analysis in a fertile direction. She explores Schumpeterian and post Keynesian influences that emphasise credit and 'dematerialized' money - as well as a 'monetary theory of production' - as being a productive direction in which to take the analysis. Some space is given to recent developments in value theory (see Reuten 1988) and the transformation problem (see Sinha 1999). The conclusion is then drawn that the 'mature development of Marx's mainly suggestive studies would be expected to integrate a detailed structural analysis of both *state* regulation and the *private* banking system which together produce and distribute money and credit' (p.205, emphases added).

3. Assessment: Theory, Contemporary Capitalism and Methodology

What are we to make of this book? The highlight of the book is the two-pronged critique of Marx's commodity theory of money and the dialectical method, which is developed through most chapters of the work. Apart from this, some serious questions remain. The first question is: did Marx adopt a commodity-money theory or did he 'justifiably' change the assumptions behind his analysis depending on the 'book' or 'volume' being written? The second is, despite all the talk by Nelson of the need for empirical analysis and observation of the facts of capitalism, why is little said about Marx's work on the basis of the 'empirical' and 'factual' workings of money and capital markets? It is from this question that the third one arises: are there aspects of Marx's methodology of political economy that enhance an understanding of the dynamics of money and credit under contemporary capitalism more than Nelson indicates it could. These are critical questions about the volume under review, and also about the significance of Marxian economics itself.

3.1 Commodity-Money

Nelson engaged mainly in a theoretical analysis of the 'development' of Marx's work on money, which, according to her, after the *Grundrisse* and *A Contribution* didn't go very far. The basis of it is the commodity-money theory based on gold, and indirectly on socially necessary labour values. She believes that 'Marx's theory of the money commodity might be criticised for its lack of specificity to capitalism. … There is no examination of credit money, even though the primary object of Marx's analysis is the bourgeois economy' (p.94). Marx is said to have developed the theory of commodity-money in order to criticise the idea that it is possible to adequately reform capitalism by 'tinkering' with the monetary system (p.92). However, according to Nelson, the commodity-money theory and the separation between the spheres of production and circulation in Marx's works prevents him from adequately situating the nature of exchange value and realisation of value, on the one hand, and the production of value and exertion of labour, on the other hand.

This may well be true; perhaps Marx's use of commodity-money was a problem on the basis of the need to reconcile the spheres of production and circulation. However, most authors on the subject of Marx's analysis of money and credit have wittingly or unwittingly agreed with Schumpeter's original assessment, which I also accept. Namely:

> The great majority of leading authors, among them Thornton, Ricardo, Senior, Fullarton, J.S. Mill, and Marx, defined money … as a commodity that has been chosen for means of exchange, measure of value, et cetera. … This, on the face of it, makes them 'Theoretical Metallists'. … [N]ot all writers accepted the metallist doctrine as explicitly as did Fullarton (who included in money only full-valued coin) and, above all, Marx. … [T]his [metallism] impaired their analysis of Money and Credit . … Sometimes it was happily forgotten. And at other times apposite constructive devices prevented it from doing harm. … Some later German writers have held that the metallist starting point makes it impossible to do analytic justice to the facts of irredeemable paper money. Yet Ricardo and J.S. Mill experienced no difficulty at all in fitting these facts into a metallist theory. (Schumpeter 1954: pp.699-701.)

Marx 'managed' the commodity-money theory through a number of dialectical and general methodological means. For instance, in Marx's later works, equilibrium exists abstractly-potentially when values equal prices, and when commodity-money dominates exchange relations. But when disequilibrium operates, firstly, the sphere of circulation can move beyond production during a business cycle upswing, producing booms and speculative bubbles; and secondly, the accumulation of hoards can adversely affect the realisation of surplus value during downswings in the cycle, producing high unemployment and low profit.

According to Don Lavoie (1983), Marx's commodity-money theory was embedded in an environment of varying degrees of uncertainty and disequilibrium. In Marx's work:

> Inherent in the nature of the demand for money is an element of contradiction. Money is held in order to be spent, it is spent in order to be held by another. There is no finality, no equilibrium result but rather a continual flux of hoarding-dishoarding. Thus equilibrium analysing is particularly inappropriate in dealing with money, for the key here is not what some final equilibrium would look like but the *process* in disequilibrium. (Lavoie 1983, p.63.)

It is in this disequilibrium or (probably more appropriately) *non-equilibrium* process that supply is greater or less than demand, and where the business cycle moves in large measure endogenously from high boom to deep recession. Marx explains very eloquently in the *Grundrisse* (see Marx 1857-58, pp.395-471) the unstable dynamic processes linked to the expansion and contraction of capital. The central dynamic of capital is the process of major innovations to the industrial fabric upsetting established practices, norms, and cultures. The greater the process of change in methods and means of production the greater the *level* of economic surplus, but the smaller the *marginal* surplus from the extra innovation. This decline in *marginal surplus labour time* sets up barriers and limits to capital. There are thus major contradictions within the sphere of production relating to the interface of value and production relations with the technical innovation process. This, according to Marx, is the "fundamental contradiction of developed capital" (see Marx 1857-58, p.415; O'Hara 1978, ch.3).

According to Marx, the central institutions of capitalism - including money and credit relations - respond to this limit or barrier (contradiction) by seeking to go beyond this limit in order to propel capital to the required extent. The sphere of circulation must thus expand over and above value relations and equilibrium by growing on the world level, increasing the number of new use values, and expanding credit and financial aggregates. A tendency exists within capital to try (temporarily) to surmount production. In this sense, "The entire credit system, and the over-trading, over-speculation etc, connected with it, rests on the necessity of expanding and leaping over the barrier to circulation and the sphere of exchange" (Marx 1857-58, p.416). He concludes that capital, "by its nature" "posits a *barrier* to labour and value creation, in contradiction to its tendency to expand them boundlessly. And in as much as it both posits a barrier *specific* to itself, and on the other side equally drives over and beyond *every* barrier, it is the living contradiction" (Marx 1857-58, p.421).

Therefore, tinkering with the monetary system by the state is highly unlikely to reform capitalism sufficiently to eradicate or transform its major anomalies of instability, cyclicality, incessant change and transformation. As Roche (1985) recognises, in Marx's works the sphere of money and credit is relatively autonomous from the sphere of production, and not rigidly subject to the dictates of production as some authors (such as Nelson) assume. Yet Marx agrees with Nelson that the sphere of circulation must be studied in all its detail and rigor, because it has a considerable influence on economic activity. All Marx is arguing, in good dialectical style, is that speculative bubbles and disequilibrium propelled by financial capital attempting to surmount the limits of production will eventually burst and bring the reality of contradiction and limit to the fore. This seems to be a good insight of Marx.

Money and credit relations expand in the high boom of the cycle - in the normal course of its development - in order to surmount the contradictions of production. While the central dynamics of the circuit of capital may be moderated somewhat by regulatory authorities and the like, by going beyond value-fundamentals in the boom a decline into recession is likely as the market expansion bursts and the crisis of bankruptcy and unemployment sets in. This theme is developed - in one form or another - from Marx's early writings through to his most mature works.

These disequilibrium, dynamic, and disrupting forces of capital are then examined in more detail as the three volumes of *Capital* unfold (see below on this). It does indeed appear that Marx was able to make use of the commodity-money process to help explain such disequilibrium and change, and sometimes to adopt other devices to accommodate credit and money in the complex processes of reproduction. It would therefore appear that Nelson has exaggerated both the extent to which Marx relied on, and also the anomalous nature of, the commodity-money theory. But she is correct to argue that we need to move further in the direction of constructing a valid credit theory of money and capital (perhaps via Schumpeter, regulation theory and post-Keynesian economics; see Lipietz 1983, Bellofiore 1988, Dymsky and Pollin 1994).

3.2 The "Empirical Facts" of Money and Credit Under Modern Capitalism

Nelson asserts throughout this book that Marx's analysis of money and credit does not adequately access the "empirical" and "factual" aspects of capitalism. But for some reason Nelson does not examine this hypothesis with reference to important empirical and factual aspects of the workings of capitalism. Hence she does not take seriously the significance of her own critique of Marx for the development of her argument.

So how can Marx's analysis of money contribute to an understanding of how the capitalist system operates in "empirical reality"? Marx's theory was not simply a commodity-money theory, as volumes two and three of *Capital* and the *Grundrisse* explore other previously uncharted areas within the spheres of production and circulation (including money and credit) from an analytical point of view.

To illustrate this, it is helpful to examine the *circuit of money capital* in an expanded form to include interest, borrowing and lending (see Foley 1986):

$$M^*\text{-}M\text{-}C \ldots P \ldots C'\text{-}M'\text{-}M^{*\prime}$$

Being derived from Marx's work, M* is the money capital of financial capitalists lending to industrial capitalists. M-C is the exchange of money (M) for commodities (C) such as labour power and materials by industrial capitalists. This then leads to the production process (P) being activated such that valorisation (production of surplus value) may occur. C' is the value of the commodities produced within the sphere of production, a value greater than the value of the inputs (C' minus C). M' is the realisation of value by sale on the market, including surplus value (M' minus M). And M*' is the payment of interest and principal to financial capitalists. This extended circuit provides a basis for examining the role of money and finance within the circuit of capital as a whole (see Campbell 1998).

Of central importance is the relationship between the profit rate and the rate of interest (Panico 1988). In Marx's work, surplus value is divided between industrial profit (π), interest (i) and rent (r):

$$SV = \pi + i + r$$

While Nelson recognises this, little importance is attached to it from the perspective of understanding the 'empirical' and 'factual' nature of capitalism. But many scholars have shown this to be central to the dynamics of capitalism. The importance of interest-bearing capital can be seen from different angles (see Fine 1989; Harvey 1982). First, surplus value does not emanate from the operation of money as capital, but rather originates from exploitation in the sphere of production. And, second, a critical conflict in capitalism is that between the industrial and financial capitalists, which impacts on business cycles, financial crises and competition. Nevertheless, the sphere of circulation can in some instances, on balance, promote the turnover of capital and thereby increase the rate of surplus value. In the contemporary environment, Fichtenbaum (1988) and Azari-Rad Hamid (1996) examine the importance of the rate of turnover of capitals on the rate of surplus value in recent years.

Thus production and circulation can contribute both positively and negatively to economic performance; a study of the specific dynamics of capitalism requires one to understand the workings of capitalism in a particular historical ('empirical') juncture. The application of the analysis of productive-unproductive activities - which in this context examines the conflict between industrial and money capitalists - needs to be taken into account. Walter Eltis (1991) has assessed the theoretical, practical and policy significance of Marx's theory of productive and unproductive activities for modern capitalism. He found that Marx's insights into the financial sector and monetary relationships were profound and of great significance to the institutional and systemic workings of the contemporary world.

Dymski (1990) provides a survey of recent studies on money and credit by numerous radical political economists who are influenced by Marx. At the level of empirics, many writers have illustrated how critical Marx's work on money and finance has been for an understanding of modern capitalism. Wolfson (1994a) discusses the importance of Marx's insights into financial crises and the business cycle for his own study of the US economy from the 1960s to the 1990s. Epstein (1992) has developed a modern perspective on comparative central banking along Marxian-Keynesian-Kaleckian lines which seems to form a missing link in Marx's work. Guttman (1994) illustrates the importance of Marx's analysis of money, credit and fictitious capital for recent developments in the US and global system. Nelson's point that Marx's work on fictitious capital is vague and undeveloped underplays the fact that many scholars have found such work to improve an understanding of economic processes and real world developments in capitalism.

An important hypothesis concerns instances where financial capital grows beyond industrial capital to a certain extent, resulting in critical economic dislocations. Similarly, at the upper-turning-point interest rates tend to be high and can upset the flow of industrial capital through a reduction in cash flow (see Wolfson 1994a, Minsky 1986). Passages in the *Grundrisse* (Marx 1857-58) and volume three of *Capital* (Marx 1894, much of it being written in the 1860s and 1870s) show that he adopted the Banking School position, which castigates what today we call monetarism. Marx argued that "The quantity of circulating notes is regulated by the requirements of commerce" (see Ergas and Fishman 1975: p.10); the money-commodity theory does not appear to be conspicuous or anomalous to the development of the subject matter, especially in volume three of *Capital*.

Marx's work on money and finance is also important to an understanding of "structural endogenous money and credit" - innovations undertaken by the private sector to expand liability management (Wray 1990). Nelson recognises that Marx emphasised this process but she does not seem to realise how critical this is to a comprehension of the empirical and factual workings of capitalism (see Pollin 1991), both in the past and the present. Such endogenous money and credit is important to the circuit of capital, business cycles, innovation and financial dynamics, especially in the contemporary environment.

Closely linked to this is the process of speculative bubbles in the stock and other markets, which is clearly linked to Marx's analysis of fictitious capital and the "monetary constraint" that Aglietta discusses in *A Theory of Capitalist Regulation* (1976). Marx provided insights which would help comprehend, for instance, the stockmarket crash of 1987, the Asian and Russian crises of the late 1990s, and the speculative bubble and burst of internet and new information technology stock prices in 2000. And, lastly, a critical aspect of Marx's work on circuits and finance has influenced Wolfson's (1994b) analysis of the postwar money and finance social structure of accumulation. Monetary and financial structures and relationships can provide an institutional foundation for growth and accumulation (and greater economic surplus) within the circuit until the contradictions of the system become dominant (see also O'Hara 2000).

Nelson assumes that Marx's writings in these "empirical" areas were relatively unimportant, but others have recognised that it is precisely here that Marx's work has "material" relevance to the "facts" of modern capitalism. His work on money and credit is not simply some form of dialectical *hocus pocus* (see also Shuklian 1991)

3.3 The Significance of Dialectics and Method for Monetary and Credit Relations

Missing from *Marx's Concept of Money* is a detailed analysis of Marx's methodology of political economy: how he attempted to develop his political economy of capitalism, with special reference to money. Nelson said that Marx claims to understand empirical reality, to comprehend the facts of capitalist dynamics. But this is not true. He had a more complex method. Echeverria (1980), for instance, has demonstrated that Marx evolved from an empiricist to a holist and dialectician as his political economy of capitalism project became more sophisticated and developed into the late 1850s through the 1860s and 1870s. By that time Marx was convinced that "…it is a work of science to resolve the visible, merely external movement into the true intrinsic movement" (*Capital*, volume three, page 313); and "Scientific truth is always paradox, if judged by everyday experience, which captures only the delusive appearance of things" (Marx 1865).

Marx tried to eschew empiricism in favor of a more complex method as his methodology evolved and developed. He argued, in the 'Preface' to the Second German edition of volume one of *Capital*, that it is useful to differentiate between the method of analysis and the method of presentation. In the method of analysis he examined the material in detail, from many sides. The method of presentation, on the other hand, starts from "historically specific abstractions", gradually making the material more concrete as discourse develops.

Marx had a plan for the method of "presentation", to complete various books, which were discussed in various contexts in the *Grundrisse*, *The Critique*, *Theories of Surplus Value* and elsewhere. The outline suggested in *A Contribution to The Critique of Political Economy* suggested six books: (1) capital, (2) landed property, (3) wage labour, (4) the state, (5) foreign trade and (6) the world market. Probably Marx did not get very far into this plan (perhaps completing aspects of 'capital'), or possibly he decided to scrap the plan or realised he couldn't complete it in his lifetime (see Rosdolsky 1977, Echeverria 1978, Mepham 1977, Oakley 1983, Moseley and Campbell 1997).

This six-book plan would be one explanation for his *relatively* undeveloped analysis of money and credit, at least given Nelson's standards: money and credit probably should have been examined in all six books, depending on the context, gradually becoming more concrete as the discourse unfolds. Hence monetary policy would have been examined in detail in the book on 'the state'; world money in the 'foreign trade' and 'world economy' books. Even in *Capital* it is clear that Marx becomes more concrete as volume one evolves to volume two and then to volume three. It is, therefore, no surprise to find Marx saying in volume three of *Capital* that:

> It lies outside the scope of our plan to give a detailed analysis of the credit system and the instruments it creates (credit money,

> etc.). Only a few points will be emphasized here, which are necessary to characterize the capitalist mode of production in general. In this connection, we shall simply be dealing with commercial and bank capital. The connection between the development of this and the development of state credit remains outside our discussion. [Marx 1894, p.524.]

Despite these methodological limits to the analysis, Marx's work on money and credit in the circuit of capital (volume two of *Capital*) was a major innovation in political economy, as was his discussion of credit, fictitious capital and interest bearing capital in advanced markets (volume three of *Capital*; see Harris 1976, Fine 1985-86, Harvey 1982). But little is said about these issues in the book under discussion. Nelson needlessly undervalues Marx's dialectical method, the six-book plan and his methods of inquiry and presentation (see also Saad Filho 1999; Fayazmanesh and O'Hara 1999). It seems that a useful research program would be to continue the general themes generated by Marx, modified according to more recent conditions and a pluralistic series of heterodox insights. Ironically, this program is probably not too far from Nelson's own position on the matter.

4. Conclusion

This is a highly interesting book that seeks to challenge Marx's analysis of money both in respect of both the notion of commodity money and his dialectical method used to analyze money. Nelson's work is commendable to the extent that Marx does utilise a commodity theory of money (when a fuller understanding of money and credit was in order), and when his dialectical method does lead him into blind alleys. However, nowhere does she scrutinise in detail aspects of Marx's work and contemporary material linking Marx's work with 'empirical reality'. Indeed it seems to be the case that Marx undertook and inspired some good work on the 'empirical' and 'factual' workings of money and credit, financial instability, the circuit of money capital and the workings of a financial social structure of accumulation. Perhaps, then, he was more interested in the 'empirical facts' of the 'material' world - albeit in the utilisation of a complex methodology - than Nelson is willing to admit? Further analysis may support this hypothesis.

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