Inside the Circuit of Capital: What Money is and What it Does

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This paper reconstructs Marx’s analysis of the capital circuit in Part Two of Volume I of *Capital*. Once money is transformed into capital, value is determined as the subject of a temporal process through money (capital as universality) and commodities (capital as particularity), and the magnitude of value comes into being as a monetary comparison of capital at two different points in time. The capital-labour relation also comes into being as a monetary relation. Wages are paid in advance of production on the expectation that the wage bill will not exhaust value-added in a production process. Abstract-labour (the expression of labour’s sociality under the value form) is therewith cast as a monetary abstraction (measured in money in exchange) in opposition to concrete-labour expended in independent (private) production processes (and measured in labour time). Three differences with Marx’s theory of value emerge from this reconstruction: i) a difference in where the abstractness of labour comes from, ii) a difference in the dimension within which value has its magnitude, and iii) a difference in what money essentially is: neither commodity nor embodiment of labour, but sole autonomous measure of abstract wealth. This implies a move away from Marx’s *value theory of money* towards a *monetary theory of value*, where money is fully determined by its social functions in reproducing value as capital. The implications for money functioning as bank finance to production (credit) are also discussed.