Chapter Z

Money as monopolist of the ability to buy

Costas Lapavitsas

Introduction

The theoretical definition of money as the universal equivalent (or independent form of value) in the opening chapters of *Capital* is highly distinctive aspect of Marx’s theory of value. Neither classical political economy nor neoclassical economics offer a comparable analysis of the relationship between value and money. Nevertheless, there is no established understanding within Marxist economics on the specific economic content of money as the universal equivalent. This absence is problematic for Marxist theory, as can be seen in the recent debates (including contributions to this volume) on whether Marx has a ‘commodity theory of money’, i.e. does Marx’s analysis imply that the universal equivalent must be a commodity? At first sight, this question appears to be of the first importance: if Marx’s theory implies that money must be a commodity, its relevance to contemporary capitalism seems limited; if it does not, how are we to account for Marx’s frequent references to gold (and silver) as capitalist money? But the question is far less important than appears at first sight, for it derives from conflating, on the one hand, the economic content of the universal equivalent and, on the other, the forms taken by it in the course of capitalist circulation. When the specific economic content of the universal equivalent is properly established in theory, the issue of commodity money (and fiat money, banknotes, bank deposits, and so on) is placed in its true dimensions, namely as a subsidiary aspect of Marx’s theory of money, a matter of the particular form taken by the universal equivalent. In short, specifying the economic content of the universal equivalent is a prerequisite for ascertaining the status of commodity money in Marx’s monetary theory.

The core claim of this article is that the economic content of the universal equivalent is its possession of monopoly over the ability to buy. To demonstrate this point, the article commences with a brief recapitulation of the contradictory role of
money in capitalist circulation, and in society more generally. In a nutshell, money is generally held, but not consumed; it is universally sought in exchange but never offered for sale; it is also plebeian but undemocratic. The economic content of the universal equivalent as monopolist of the ability to buy is closely connected to these contradictions. To demonstrate money’s economic content, the paper considers the analytical (logical) process of money’s emergence in the course of commodity exchange. Drawing on the analysis of the ‘forms of value’ in the first chapter of *Capital*, it suggests a reinterpretation of the theoretical couplet of opposites that Marx identifies in the elementary value relationship. Namely, the paper interprets ‘relative form – equivalent form’ as ‘offer to sell – ability to buy’. It is then briefly shown that the evolution of the ‘form of value’ corresponds to an analytical (logical) process through which money emerges as a result of the collective (but unplanned) offers to sell all other commodities for a single commodity. In short, money monopolizes the ability to buy because all other commodities are regularly and systematically offered for sale against it.

To establish its core claim, the article shows that the social relations of commodity owners, especially ‘foreign-ness’ from each other and overwhelming focus on self-gain, are vitally important in causing money’s emergence. The universal equivalent as monopolist of the ability to buy is the social bond of commodity owners, the ‘nexus rerum’ of capitalist society. It is shown that purely economic relations among commodity owners are necessary but not sufficient to induce monopolisation of buying ability by the universal equivalent. Money’s emergence and generalized use also depend on the existence of social customs pertaining to commercial transactions and the representation of wealth. Thus, money reflects the individualist outlook of commodity traders, but also the presence of social customs in trading. Possession of money, moreover, confers to its holder power over commodities, and by extension over people and resources. The contradictory character of money in capitalist exchange and society originates in the social relations captured and represented by money. ²

¹ Thanks are due to all participants at the conference on Marx’s theory of money, Mount Holyoke College, August 2003. The author retains sole responsibility for all errors.
1. The contradictory character of money

Money is ubiquitously held in capitalist society - by capitalists, workers, and others. It is typically the asset taken by all commodity owners to market, the asset of choice for storing wealth, and the means of settling past obligations, commercial or otherwise. But those who possess money consume it neither directly nor privately. This is a paradox, especially for neoclassical economics, since ‘rational individuals’ appear to hold a portion of their wealth in an asset that affords no direct consumption. A possible way out of the paradox is to claim that the services provided by money constitute the actual object of consumption, above all, liquidity and storage of value. Yet, the benefits of liquidity are typically rendered when money is spent, i.e. when property over it is relinquished and money is held no more. The benefits of hoarding, on the other hand, rest on absolute avoidance of consumption of money. Thus, while commodities provide gratification by being possessed and privately consumed, money provides services by being surrendered to others, or via abstention from active use. Consequently, money’s usefulness cannot be analysed similarly to that of other commodities. The benefits from holding money do not result from the private relationship between money and its holder, but are comprehensively social.

Money is not only universally held but also universally sought in capitalist exchange: workers offer their labour-power in exchange for money wages, and capitalists offer commodity output in exchange for sales (money) revenue. Similar patterns of generalized seeking of money occur in other markets, such as real estate, finance and services. It is a general principle of trading across capitalist markets to offer commodities for sale, while seeking money in return. But money itself is never offered for sale – it is always used to buy. Typically, in capitalist markets commodities do not buy other commodities, nor do they ‘buy’ money: only money buys and is never sold. 3 To interpret the purchase of a commodity as the ‘sale’ of money is to stretch to absurdity the normal meaning of terms: to sell is to offer a commodity for money, while to buy is to accept such an offer by handing over

---

2 For the same reasons money provides privileged terrain for the study of the interaction between the economic and the non-economic in capitalist society, see Lapavitsas (2003: ch. 3).

3 This statement is similar to, but not identical with, Clower’s (1967: 5, emphasis in original) famous aphorism that ‘Money buys goods and goods buy money; but goods do not buy goods’. However, for
money. In this respect too, money is a social asset. Money’s ability to act as absolute instrument of purchase depends on the universal expectation that money will continue to be able to buy other commodities as a matter of course. This expectation is normally fulfilled as commodities are typically offered for sale against money (rather than directly against other commodities). Thus, the use of money is a social norm established through the collective practice of all participants: commodity owners behave collectively and socially (but without planning) in ways that make it possible for money to operate as money.

Money’s universal ability to buy has profound implications for the power and outlook of capitalists participating in commodity exchange. Whoever holds money and intends to buy is in a different position as trader from whoever holds commodities and intends to sell. Since money can buy all other commodities, but commodities are sold specifically for money, it is normally more difficult to sell than to buy. The seller of finished output must actively solicit the agreement of others to the proposed sale, while the buyer of inputs is in the commanding position of selecting among offers made by others. These observations naturally refer to the normal conditions of capitalist markets and do not hold for all markets at all times. Conditions could arise whereby the holder of money might find it difficult to obtain commodities, while the holder of commodities could easily get hold of money. But, exceptional circumstances aside, the money owner usually approaches the market with more power and confidence than the commodity owner.

Money is also thoroughly plebeian. It does not respect traditional rights, erodes aristocratic privileges of pedigree and kinship, and eliminates traditional and hierarchical social differences. Money is intolerant of customary restraints on its economic and social functioning, and disdains established social niceties. It is also coarse and vulgar, since it rejects intellectual and moral delicacy, and has no truck with refined taste in art, fashion and decoration. Money typically elicits the lowest sentiments of humanity - greed, venality and deception. But plebeian money is undemocratic. It affords economic, social and political power to those that possess it, and denies it to those that lack it. Money despises the poor and deprives them of
access to resources; it creates new distinctions and refinements in art, fashion and
conspicuous consumption; it saves children from their own mediocrity, buys suitable
spouses, and transfers privilege across the generations. Money, the leveller, builds a
web of customary practices that harden social attitudes toward the weak and the
needy.

It is demonstrated in the rest of this paper that the pervasive and contradictory
presence of money in capitalist markets originates in the social and economic
relations characteristic of commodity owners. Money constitutes a necessary social
bond among commodity owners driven by personal gain. Its universal ability to buy is
a purely social property created by the collective action of commodity owners
buttressed by social custom. The use of money strongly resembles a social norm -
money can be money because the action of commodity owners turns it into money.

2. Money’s emergence and Marx’s theory of value

In the first chapter of the first volume of Capital, Marx (1867: 139) proudly
claimed that he had solved the ‘riddle’ of the ‘money-form’ of value. Marx’s
discussion of the ‘form of value’ provides the basis for the exposition of money’s
emergence in this paper. However, the argument presented below involves a strong
reinterpretation of Marx’s analysis of commodity value that draws on Fine and Harris
(1979), Weeks (1981), and also Itoh (1976). 5 Put summarily, commodity value
comprises the social substance of abstract labour; but abstract labour becomes a social
reality only when capitalist social processes are generally established across society.
These include heightened mobility of labour (occupational and geographical), work
being performed under the discipline of capital, and commodities being systematically
exchanged as products of capital (enterprise output). At the same time, within the
capitalist mode of production, the forms of value (exchange ratios, prices, etc.) can
arise without direct connection to the substance of value, as in the markets for real
estate and financial assets. More broadly, the historical emergence of the forms of
value does not rely at all on capitalist social relations: commodities, exchange value,
money, prices, interest and lending are commonly observed in non-capitalist societies.
Nevertheless, the forms of value are fully developed only under capitalist social conditions.

Thus, the social and economic functions of money are fully manifested under capitalist economic conditions but, even so, they are often unrelated to value as abstract labour. Moreover, the historical emergence and complex social functioning of money predate the capitalist mode of production (hence abstract labour as social reality). The conclusion drawn for our purposes is that the theoretical demonstration of money’s emergence should not rely analytically on the substance of value (abstract labour) despite assuming capitalist social relations as the framework of analysis. Put differently, money’s emergence should be logically demonstrated in terms of the form of value, and the (logical and historical) roots of money should not be related to value as abstract labour. At the same time, the assumption of capitalist conditions is important in order to provide a natural framework for analysis of relations among commodity owners. Specifically, it is essential to assume that commodity owners are mutually ‘foreign’ and motivated by personal gain, but do not fight each other. Such relations can often be observed among commodity owners in non-capitalist communities and societies, but they are an inherent characteristic of participants in capitalist commodity exchange.

It should be noted that in Marx’s work (for instance, 1859: 42-6, and 1939: 142-5) can also be found an analytical demonstration of money’s emergence that rests on the contradictions between the two fundamental aspects of the commodity, i.e. use value and value as abstract labour. Briefly, as values (quantities of abstract labour) commodities are homogeneous, perfectly divisible and simple (i.e. general) but, as use values, they are heterogeneous, imperfectly divisible and complex (i.e. particular). In direct commodity exchange, the aspect of value clashes with that of use value in each commodity, and the process of exchange breaks down. Thus, as values, coats and tables are homogeneous and general, hence equivalent with each other at, say, the rate of two to one. But as use values they are heterogeneous and particular, hence direct exchange between the owner of one coat and one table is impossible. Now, if the two aspects of the commodity were separated from each other, the contradictions could be resolved. If each commodity was ‘doubled’, that is, it appeared in the market simultaneously in use and value, all its uses could be exchanged in the form of
another thing, the process of exchange need not break down. According to this approach, money is the commodity that generates the desired ‘doubling’ of other commodities, by representing value as abstract labour for all others. In the presence of money, all commodities are use values as their physical selves and values as quantities of the money commodity. Thus, in our example, the owner of one table can simply obtain the money equivalent of the value of half a coat.  

This is an ingenious argument, but cannot truly explain the emergence of money in commodity exchange for two reasons, both related to value as abstract labour. First, and less important, the historical emergence and complex functioning of money do not depend on the existence of capitalist production, and therefore abstract labour as social reality. This observation does not mean that a timeless theory of money is necessary, applying equally to all modes of production. Yet, it does imply that the theoretical demonstration of money’s emergence should have a more general validity than simply for capitalist money. This is not so for any demonstration that relies on the contradictions between use value and value as abstract labour. Second, the economic content of this argument is reminiscent of the mainstream economic analysis of the ‘difficulties of barter’ as source of money. An early formulation of the ‘difficulties of barter’ can be found in Smith (1776: vol. I, ch. V) while Jevons (1875) later captured the gist of it with the term ‘double coincidence of wants’. For Smith, direct commodity exchange continually breaks down because commodities are not perfectly divisible, homogeneous, durable, and so on. But if a generally accepted commodity existed, every ‘prudent’ merchant would carry it in order to serve as intermediate step in transactions, eventually allowing its holder successfully to complete the desired exchanges. This generally accepted commodity is money, which resolves the ‘difficulties’ of exchange by transforming barter into monetary exchange. The weakness of Smith’s argument is that it takes for granted what needs to be explained, i.e. the general acceptability of money, or its universal ability to buy.  

6 The contradictions between value and use value are then reproduced at a higher level, since monetary exchange creates the possibility of imbalance between the output offered for sale and the effective demand directed toward it.
monetary exchange. But for this to be a valid answer for the ‘riddle’ of money, a process has to be specified through which the contradictions between use value and value lead to emergence of a general and independent representative of value. There must be economic and social mechanisms through which abstract labour becomes universally represented by one commodity as a result of the contradictions between use value and value. No such mechanisms are discussed in this strain of Marx’s work on money.

Consequently, the derivation of money briefly presented below leaves aside the substance of value (abstract labour) and draws on Marx’s discussion of the ‘forms of value’, or exchange value, in the first chapter of Capital. This is one of the most heavily debated texts in the history of social science and no attempt is made to summarise or critically assess the secondary literature. Rather, in the rest of this paper, Marx’s discussion of the ‘simple, isolated or accidental form of value’, the ‘expanded form’, the ‘general form’, and the ‘money form’ are reworked and critically interpreted. The successive ‘forms of value’ are treated as stages in the development of exchange value, a process through which money emerges in commodity exchange. It is worth stressing that the evolution of the forms of value is not a summing up of the historical process of money’s emergence. Instead, it represents the logical unfolding of relations among commodity owners as the latter come into contact in the market. The social and economic relations among commodity owners lead to money’s emergence as the ‘universal equivalent’, i.e. as the commodity that can buy all others.

3. The emergence of money in commodity exchange

3.1 The ‘Simple, Isolated, or Accidental Form of Value’.

Some simplifying assumptions need to be made at this point, without significantly affecting the content of the analysis. Commodity owners are assumed to possess a fixed quantity of one commodity each, to trade in pairs, and to interact at

---

7 This weakness is absent from the neoclassical derivation of money by Menger (1892), which relies on the concept of ‘marketability’ that was alien to Smith, and derives money as the most ‘marketable’
random (‘accidentally’) in the sense that any two among them could meet. More important is the assumption that commodity owners lack the social ties of kinship, custom or moral obligation. Commodity owners are primarily concerned with obtaining an equivalent for the commodity they bring to market. Put differently, commodity owners are assumed to approach each other as mutually alien, independent and essentially ‘foreign’ individuals. Consequently, for any pair of commodity owners, there must be an opening gambit that allows trading interaction to occur. It is suggested here that Marx’s (1867: 139) analysis of the ‘accidental’ form of value captures the relations that flow from the typical opening gambit among commodity owners. Namely, for any ‘accidental’ pair of traders, one takes the initiative and requests exchange by making an offer of sale to the other. The commodity owner that starts the process of trading is the ‘active’ party, or the ‘relative’. By making the request, the ‘relative’ immediately puts the other party in the position of ‘passive’ or ‘equivalent’. Using simple symbols, trading relations commence between the owner of A (‘relative’) and the owner of B (‘equivalent’) through the former offering to sell x of A for y of B. There is a definite direction to this relationship, captured with an arrow:

\[ x \text{ of } A \rightarrow y \text{ of } B \]

After entering into this relationship, the two commodity owners assume very different positions. The ‘relative’ has unilaterally declared the exchange value of A to be equal to a quantity of B. At the same time, the ‘equivalent’ has been informed that B can be exchanged directly with A. It is trivially true that the ‘accidental’ relationship between the two commodity owners could be reversed, if they met another time. But the point is that, on each occasion that they meet, the two are locked in positions that are the ‘polar’ opposite of each other, once the opening gambit is made (Marx, 1867: 140). In economic terms, the owner of A has declared its

---

8 Under such conditions, war might break out, instead of trade. Yet, commodity exchange is, on the whole, successful at limiting violence among its participants, despite retaining a role for power. For our purposes, there is little to be gained by considering conflict among commodity owners.

9 Marx uses equalities in this context, but also insists on the ‘asymmetry’ between A and B (Marx, 1867: 140). Yet, equalities are inherently symmetric and therefore inappropriate for analysis of ‘asymmetry’. It is better to use an arrow in order to capture the ‘polarity’ between ‘relative’ and ‘equivalent’, see Sekine (1999) and Lapavitsas (2002).

10 Bargaining makes no difference to this argument, and not simply because we have assumed fixed
exchange value to be equal to y/x of B, while the owner of B has discovered that B could be directly exchanged with A. If the transaction was actually completed, a degree of validity would accrue to both pieces of information. For our purposes, B would then passively acquire the property of direct exchangeability with A, amounting to the ability to buy - even if only the specific ‘relative’, A. This is a new property for B that accrues solely from the request of exchange made by A’s owner. Its source lies in the actions of the owner of A, and the property exists exclusively in the context of the market. The eventual emergence of money stands for the acquisition by a single commodity of a universal ability to buy, and occurs through the collective and regular offers to exchange all other commodities for money.

The ‘accidental’ form of value is a private relationship between the owners of A and B. It is also fleeting and subject to reversal whenever the two commodity owners meet. However, given our initial assumptions, the owner of A could make offers of exchange (sale) to any and all other commodity owners on a frequent and regular basis. Thus, fully to represent the range of trading relations that could be potentially instigated by the owner of A, it is necessary to have an exhaustive list of possible ‘equivalents’. This gives rise to the ‘expanded’ form of value, which overcomes the fleeting and unstable ‘accidental’ form.

### 3.2 The ‘Total or Expanded Form of Value’

Using the arrow, the ‘expanded’ form consists of:

\[ x \text{ of } A \rightarrow y \text{ of } B \]
\[ x \text{ of } A \rightarrow u \text{ of } C \]
\[ x \text{ of } A \rightarrow w \text{ of } D \]
\[ \ldots \]

Two fundamental changes can be observed, compared to the ‘accidental’ form. First, the exchange value of A is given by a boundless set of quantitative ratios, \{y/x of B,
u/x of C, w/x of D, …}. Second, all other commodities have acquired the ability to buy, even if only A. It follows immediately that the exchange value of A and the ability of (B, C, D, …) to buy are now properties that hold across the market. Consequently, both properties are less fleeting and partial than in the ‘accidental’ form. Put differently, the relation between the owner of A and the owners of the other commodities has lost some of its private character, and has begun to resemble a regular social practice, a norm, that must be taken into account by others in the course of trading. But it is necessarily a market-based norm, lacking deeper foundations in the sphere of production, such as those possessed by value as abstract labour. At the same time, the terms on which A is offered for sale are irregular and heterogeneous (a boundless set of quantitative ratios) while the ability of the other commodities to buy applies to A alone. All pairs of commodity owners that do not include A have to go through the ‘relative’ - ‘equivalent’ gambit, without any certainty of being able to sell or buy. In the ‘expanded form’ both exchange value and ability to buy lack stability. The thorniest issue in the logical demonstration of money’s emergence lies in showing how the ‘expanded’ form gives rise to the ‘general’ form of value, thereby overcoming these weaknesses of the ‘expanded’ form.

3.3 The ‘General Form of Value’

The ‘general’ form of value is given by:

\[
\begin{align*}
  y & \text{ of } B \rightarrow x \text{ of } A \\
  u & \text{ of } C \rightarrow x \text{ of } A \\
  w & \text{ of } D \rightarrow x \text{ of } A \\
  \ldots
\end{align*}
\]

Technically, this is the reverse of the ‘expanded’ form. The exchange value of all commodities is represented by A alone, hence commodities are offered for sale on simple and homogeneous terms across the market. By the same token, A is directly exchangeable with all others, i.e. it can buy all others. Since A’s ability to buy is not restricted with regard to any commodity, A is already the ‘universal equivalent’, or
money (Marx, 1867: 159). Both exchange value and the ability to buy (‘moneyness’) can now be perceived as stable social norms (still exclusively market-based) since they result from the regular and collective action of the owners of (B, C, D, …) relative to A. The question then is: how does the ‘general’ form emerge? In the relevant section of *Capital*, Marx (1867: 157) suggests that ‘general’ form of value is inherently contained in the ‘expanded’ form - all that is required for passage to the former is simple reversal of the latter. But this is not a fully satisfactory argument, for reasons briefly explained below.

For any set of n commodities there are n(n-1)/2 pairwise relations, or n(n-1), if the ‘relative’ is treated as the ‘polar opposite’ of the ‘equivalent’, i.e. if (x of A → y of B) is treated as different from (y of B → x of A). In principle, formal reversal of the ‘expanded’ form could apply to any set of (n-1) commodities; it follows that the process would generate n ‘universal equivalents’. Thus, far from isolating one commodity as money, formal reversal of the ‘expanded’ form would turn all commodities into money. This logical difficulty is symptomatic of the deeper problem of the perfect symmetry among commodities, when the latter are considered purely as exchange values. With use value left out of account, all commodities are undifferentiated objects of trading, as far as buying and selling is concerned. There is no a priori reason for the form of value to be attached to one of them differently than the rest. Yet, money as a permanent feature of commodity trading represents the highest degree of asymmetry: one commodity is permanently placed on the side of the ‘equivalent’ and all others on the side of the ‘relative’. The formal reversal of the ‘expanded’ form cannot produce such universal asymmetry, given that commodities are inherently symmetric to each other. To be specific, formal reversal of the ‘expanded’ form results in n ‘universal equivalents’, instead of one. There is no satisfactory way out of this impasse, if only the formal properties of the ‘expanded’ form are taken into account. To establish the reasons for the emergence of money’s characteristic asymmetry it is necessary to seek recourse to relations that lie outside the plain market processes of buying and selling. Namely, it is necessary to seek recourse to social custom among commodity owners.11

11 A similar requirement was clearly perceived by Menger (1892), the pillar of the neoclassical approach to money. Menger assumed that commodities are inherently differentiated in terms of their
Marx was also strongly aware of the role of historical and traditional factors in inducing the emergence of money. In a separate section of *Capital* (1867: 182-3) he argued that:

The universal equivalent form comes and goes with the momentary social contacts that call it into existence. It is transiently attached to this or that commodity in alternation. But with the development of exchange it fixes itself firmly and exclusively onto particular kinds of commodity, i.e. it crystallizes out into the money-form … The money form comes to be attached either to the most important articles of exchange from outside, which are in fact the primitive and spontaneous form of manifestation of the exchange-value of local products, or to the object of utility which forms the chief element of indigenous alienable wealth, for example cattle.

The most plausible interpretation of this quote is that the commodities that are most likely to become ‘universal equivalents’ are those that foreigners bring to a community, or those that a community can most easily trade. This view chimes with the claim often made by Marx (e.g. 1867: 182, 1939: 223, and 1894: 447-8) that the very process of commodity exchange arises where different communities come into contact with each other, rather than within communities. This point is very significant for the purpose of relating the analytical (logical) derivation of money, which has concerned us here, with the historical emergence of money. Our initial assumption was that bilateral trade occurs among commodity owners unaffected by kinship, hierarchy, authority, and religion, i.e. among subjects that are essentially ‘foreign’ to each other. This is an entirely justified assumption for capitalist commodity owners, since capitalist producers are in competition with each other and motivated by money profit alone. For non-capitalist societies, the assumption is far more difficult to justify, since non-capitalist economic interactions are typically embedded in a web of power, prestige, kinship and custom. But where non-capitalist communities and societies
come into contact with each other, things can be different. Traders from different communities can be essentially ‘foreign’ to each other, thus developing mutual relations that are based exclusively on commodity ownership. Under these conditions, the historical and the analytical derivation of money can be compatible with each other.

The suggested view of the historical emergence of commercial exchange and money has a strong resonance with Herodotus’s (1954: 307) remarkable description of Carthaginian trading with ‘Libyans’ beyond ‘the pillars of Hercules’ (Atlantic Africa):

‘On reaching this country, they unload their goods, arrange them tidily along the beach, and then, returning to their boats, raise a smoke. Seeing the smoke, the natives come down to the beach, place on the ground a certain quantity of gold in exchange for the goods, and go off again to a distance … There is perfect honesty on both sides; the Carthaginians never touch the gold until it equals in value what they have offered for sale, and the natives never touch the goods until the gold has been taken away.’

This ancient form of trade exhibits ‘foreignness’, suspicion of the alien ‘other’, and the use of the opening gambit of making an offer of commodities for sale. Grierson (1903) called it ‘silent trade’, a term adopted in subsequent anthropological literature, and stressed the importance of trading practices in overcoming the difficulty of communication between alien peoples lacking a common language. For our purposes, the request of exchange by one party made through an offer to sell can be thought of as a catalyst for relations to develop among ‘foreigners’. In historical terms, money is the eventual outcome of trading relations among inherent ‘foreigners’.

In view of the historical aspect of money’s emergence, it can be postulated that the social custom necessary for the analytical derivation of money pertains to traditional chains of transactions that contain specific commodities. Within any given chain of traditional transactions, it is likely that one commodity would stand out
among the others, since a relatively small number of specific commodities come into regular contact with each other in each chain. It is possible that, through pure chance, one commodity within a chain could attract several requests of exchange at once, thus becoming a transient ‘universal equivalent’. However, given the element of chance and the existence of several chains of traditional transactions, it is also possible that more than one commodity would play this role at any given moment, or during a period of time. Thus, several partial, local ‘monies’ are likely to emerge spontaneously and incessantly.

Nevertheless, the appearance of even a single temporary ‘universal equivalent’ immediately creates an asymmetry among a given set of commodities. This asymmetry sets in motion economic mechanisms that exacerbate it, eventually to the point at which a permanent ‘universal equivalent’ emerges. The source of the asymmetry is that any commodity which temporarily attracts several requests of exchange also temporarily acquires a stronger ability to buy. This temporary ability constitutes an additional use value (‘to be able to buy’) for the given commodity, which Marx (1867: 184) calls a ‘formal’ use value. Once the ‘formal’ use value has emerged (even temporarily), further requests for exchange are likely to be attracted, thus strengthening the ‘formal’ use value, and attracting still more requests of exchange. This is a self-reinforcing process that could eventually lead to emergence of the ‘general’ form of value. But at any moment in time, there are likely to be more than one ‘universal equivalents’, competing with each other. Each would be unable to buy some of the commodities belonging to the set of ‘relatives’ of another. Moreover, in the presence of more than one ‘universal equivalents’, exchange value would lack a single representation across the process of exchange, and hence it would not be a universal social norm. Passage to the ‘money’ form of value resolves these difficulties, but that involves further social custom.

### 3.4 The ‘Money Form’

The ‘money’ form is given by:

\[ 1 \text{ of } A \rightarrow u/x \text{ of } C \]
The position of the ‘equivalent’ has been completely and stably assumed by the money commodity, C, which thus monopolizes the ability to buy all others. At the same time, C represents commodity value simply and homogeneously (i.e. as money price) across the process of exchange. Put differently, a prevalent social norm now exists for commodity owners to bring their commodities to market with the express intention of exchanging them for money, i.e. already priced in money terms. Equally, there is a prevalent social norm that the holder of money could potentially obtain any commodity, since all are priced in money terms in advance.

Passage to the ‘money’ form involves further social custom. Any commodity can acquire the ‘formal’ use value of ‘being able to buy’, but some commodities are better suited in physical terms (durability, homogeneity, divisibility and portability) for this purpose. The best-suited commodities are the precious metals - exceptionally durable, homogeneous, finely divisible and portable. Since gold and silver have also been historically used as costly jewellery and for ostentatious manifestation of wealth, commodity owners are habituated with the notion of precious metals representing value. Gold eventually monopolizes the ability to buy (it becomes the sole independent representative of value) partly because of its physical properties, and partly because of the social customs attached to its use. Having reached the position of money, the use of gold becomes a social norm in itself. Commodity owners expect the money commodity to be gold, and they also assume that their commodities should be priced in terms of gold. These expectations are fulfilled through the regular and customary practice of offering commodities for sale against gold. Finally, commodity money is merely a form of the universal equivalent, despite its analytical and historical importance. In an analytical framework comprising solely exchanges among commodity owners, the initial form of money is inevitably a commodity. If other aspects of the capitalist economy were brought into account, for instance, the state and the credit system, the universal equivalent would naturally assume further forms
(fiat, bank notes, bank deposits, money market fund deposits, and do on). In all its other forms, none of which can be immediately assumed ‘inferior’ to commodity money, the universal equivalent remains the monopolist of the ability to buy.

4. Conclusion

The riddle of money in a capitalist economy is an issue of continuing concern for monetary and social theory. Money is held but not consumed directly; it is universally demanded but never offered for sale; it confers power over resources and people but also destroys traditional privileges. For mainstream economic theory, the absolute asymmetry pervading capitalist markets, i.e. money towering over commodities, is deeply problematic. In contrast, Marx’s analysis of the relationship between value and money offers powerful insights into the riddle of money. This paper suggests a reinterpretation of Marx’s theory of money, drawing on his discussion of the evolution of the form of value, and leaving aside the substance of value as abstract human labour. The roots of money lie in the elementary value relation; specifically in the relationship of ‘relative - equivalent’, interpreted here as ‘offer to sell - ability to buy’. It was shown that this relationship unfolds dialectically in the course of commodity exchange, leading to emergence of a single ‘universal equivalent’, while all other commodities take the position of ‘relative’. By the same token, the universal equivalent monopolizes the ability to buy, this also being the specific economic content of money. The contradictory aspects of money originate in the monopoly that money enjoys over the ability to buy.

In accordance with the tenor of Marx’s analysis, money was shown to emerge spontaneously, i.e. due to collective (but unplanned) action of commodity owners offering their commodities for sale against money. Social custom with respect to both traditional chains of trading and wealth representation was also shown to play an important role in inducing the absolute asymmetry between money and commodities. The use of money, moreover, resembles a social norm: commodities are offered for sale against money because their owners expect money to continue functioning as money. In this respect, the essential ‘foreign-ness’ among commodity owners, who
lack explicit social ties independent of the process of exchange, is instrumental to money’s emergence. This approach to the riddle of money also offers a way of reconciling the analytical (logical) with the historical emergence of money. To engage in economic relations, ‘foreign’ commodity owners require a catalyst (an opening gambit), which eventually becomes the social nexus of money. Money’s ability to buy subsumes social relations among commodity owners, reflecting their extraordinary estrangement from each other. Thus, money is the social medium that binds commodity owners, allowing them to express their volition to each other and to the market as a whole. For this reason, possession of money confers economic and social power.

October 2003
REFERENCES


