Inside the capital circuit: what money is and what it does

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This paper takes up the question of whether or not commodity money is a logical necessity in Marx’s theory of value and the related question of whether or not the logical development of capitalist money systematically transcends the commodity theory of money set out at the beginning of Capital.

One view, argued by Williams (2000), is that Marx simply made a ‘category mistake’ when he introduced commodity money into his theory of value. If money is fully determined by its social functions in capitalism then the physical characteristics assumed by money become historically contingent so that ‘commodity-money is necessary neither to the logic of Marx’s system nor to the logic of capitalism’ (section 5, para 4). Williams reaches this the conclusion on the basis of a ‘careful reconciliation of Marx’s initial development of money as a commodity with his equally systematic presentation of the functions of money’ (ibid.). Specifically, ‘Marx’s categorical development of the value-form soon transcends commodity aspects of money’ (ibid.).

Ganssmann (1998) presents a very different argument. Not only is the ‘logic of emergence’ of fully developed capitalist money ambiguous, but this ambiguity is itself the result of ‘a tension between Marx’s original concept of money and empirical observations about the functioning of the credit system (148). If Marx ‘lost his bearings’ moreover, it is because he failed to systematically connect his insights into capitalist money as credit with his theory of value where money is a commodity (153). Ganssmann finds the cause of this failure in Marx’s repeated ‘insistence on his “strong” argument backwardly connecting credit to money and money to value and value to labour’ (ibid.). Given the ‘sensible proposition’ that the measure and what it
measures must share a common property money must logically be a commodity, an immediate embodiment of (abstract) universal labour. If time is the measure of labour, then the ‘real’ (non-monetary) measure of value is the time socially necessary to produce the money commodity: gold.

In what follows, I suggest that Ganssman is correct in seeing a commodity theory of money as necessary to Marx’s early presentation of his theory of value, and also correct in his assertion that Marx never completely transcends this theory through his development of the concept of value-form. The reason for this is not however, as Ganssman believes a ‘strong argument’ for money as a link between value and labour. On the contrary, Marx’s too early introduction of labour into his analysis of value is the greatest weakness of his presentation, at least from a systematic dialectical perspective. Indeed I argue, in the first part of the paper, that Marx’s treatment of money as a value measure commits the fundamental error of beginning with content - common substance - before moving to form, with the result that the theory of money becomes immediately mired in a Ricardian problematic from which it never fully escapes. So, although Williams is correct in saying that a systematic presentation of money in capitalism must show how capitalist money is fully determined by its social functions, any development of Marxian theory in this direction requires a thorough reconstruction of Marx’s theory of money. Here I suggest that such a reconstruction must begin by reversing Marx’s procedure. I do this in the second part of the paper, where I try to show that if money and commodities are derived together from the value-form prior to any introduction of labour as value content, then money has a clear function prior to that of measurement – i.e. its key function is to constitute the value dimension as a monetary dimension. One implication is that the measurement of value magnitude requires no reference to labour embodiment or socially necessary labour time. Commodity money becomes redundant.

1. The commodity theory of money
1.1 Marx’s Ricardian problematic

As pointed out by Levine (1983), the main idea behind the Ricardian theory of value is that a set of production conditions underlies the logical structure of exchange relations. Analysis of value in the sphere of production requires that money be excluded as a determinant of commodity exchange and this gives rise to a logical problem: how to theorize and measure value relations between commodities without reference to money, while at the same time explaining the necessity for money?

In Marx’s view, the best representatives of the classical school (Smith and Ricardo) failed to solve the ‘riddle of money’ because they failed to see that in capitalism useful objects are produced not for the immediate satisfaction of the producer’s own needs, but solely for the purpose of monetary profit (in Marx’s words, the motive for production is ‘valorisation’). As a result, labour is not immediately social labour but, on the contrary, it is private labour that must become social through the association of products on the market. Marx’s criticism of classical naturalism is then quite straightforward and clearly stated in the first pages of Capital: simply, the classical political economists did not ask why labour and the measurement of labour must take on a value-form. If the ‘best representatives’ of the classical school overlooked this fundamental question it was because they failed to see the historical ‘specificity’ of the ‘value-form of the product of labour and consequently of the commodity-form together with its further developments, the money form, the capital form, etc.’ (ibid., 174, fn. 34). This seems to imply that the categories commodity, money, value and labour can be grasped only through an analysis of their character as determined by the social relation of capital itself. At the same time, however, Marx wanted to prove the proposition that labour time ‘exclusively determines the magnitude of the value of any article’, placing value and labour in a definite causal relation (ibid., 129).

Marx’s attempt to overcome classical naturalism and systematically unite money (value-form) and labour time (value substance) is expressed with unusual
clarity in his 1867 *Appendix* to the first German edition of *Capital*. There he also introduces the notion of an ‘equivalent form’ of the commodity serving as value measure in distinction from the ‘relative form’ of the commodity whose value is measured. Through a comparison of these forms of value, Marx links the concrete (private) labour expended in production with the abstract (social) labour that comes into being in an exchange of commodities; the nexus for the unity of the two is the material ‘body’ of a commodity serving as ‘equivalent value-form’. The argument goes as follows (Marx, 1994, 17-22, *italics in the original*):

- First, quality and quantity are united in the equivalent form of a commodity, while in the relative form these elements fall apart. In the relative form, use-value expresses an inherent quality of the commodity while value expresses an *alien* quantitative relation to the whole world of exchangeable objects. In the equivalent form, however, the use-value of the commodity *is* its function as a value measure. In the same way that a heavy body used to measure the weights of other heavy bodies takes on in addition to intrinsic heaviness ‘the form of appearance of heaviness’ so too ‘the *natural form* of the commodity becomes the *value-form*’ (*ibid.*, 17).
- Second, concrete-labour and abstract-labour are united in the equivalent form while the relative form immediately represents only a quantity of concrete-labour. Because the commodity measuring value immediately represents the concrete-labour worked up in it as an *embodiment of undifferentiated human labour* an inversion takes place: the ‘sensibly-concrete’ or differentiated labour embodied in the relative form of the commodity *counts* as homogenous human labour (as value substance) only in the act of bringing it into a relation with the ‘abstractly-general’ equivalent form of the commodity (*ibid.*, 18).
- Third, direct exchangeability implies that in the body of the equivalent
commodity ‘private labour becomes the form of its opposite, labour in immediately social form’ (ibid., 19). In contrast, the private labour embodied in the relative commodity becomes social labour only when it is expressed as a proportion of the labour embodied in the equivalent commodity. The result is ‘reification’: the equivalent form has become the sole means for measuring the social usefulness of labour; hence the social relationship between private producers appears as an external relationship between the objects that they independently produce: ‘as a value relation or social relation of these things’. Thus, commodities seem to have ‘properties pertaining to them by nature’ and the equality of particular labours appears self-evident ‘as a value property of the products of labour’ (ibid., 22).

- Fourth, reification is quite obvious in the relative form because the value of a commodity finds objective expression only in exchange for a commodity serving as equivalent value measure; value is therefore ‘something completely distinct from [the relative commodity’s] own sensible existence’. In contrast, the equivalent form obscures the phenomenon of reification by expressing private concrete-labour as immediately social abstract-labour, the substance of value. Hence, ‘within our practical interrelations’ the property of being value is not external to the money object, but intrinsic to it (ibid., 23).

The Appendix establishes a link between value and labour through a ‘body of value’, the commodity serving as ‘equivalent form’ or ‘value-form’. The unity of concrete (private) labour and abstract (social) labour in the body of the equivalent commodity is repeated again in the first chapter of Volume I of Capital. Commodities in their immediate existence contain only a quantity of concrete-labour which expresses no inherent value: ‘We may twist and turn a single commodity as we wish; it remains
impossible to grasp it as a thing possessing value’ (Marx. 1976a, 138). Commodities, in themselves, are not values because value has a purely social existence pertaining to the need to establish exchange relations, with a quantitative dimension. Again, Marx repeats his assertion that value is fully objectified only in an exchange with an equivalent commodity; that is, when diverse labours are equalised and expressed as proportions of ‘abstract human labour’: ‘From this it follows self-evidently that it [value] can only appear in the social relation between commodity and commodity (ibid., 139; italics added).

A solution to the classical riddle of money follows directly from Marx’s critique and reformulation of Ricardian value theory. In this solution, the labour time contained in a money commodity -- ‘a general equivalent form of value’ -- is the true measure of the social value of the labour time contained in all other commodities. Commodity money (gold) measures value because: i) it shares in common with other commodities an amount of embodied concrete-labour (measured in time), and ii) it is distinguished from other commodities by the fact that it is immediately exchangeable, hence the concrete-labour worked up in the material ‘body’ of gold is immediately abstract-labour (measured as socially necessary labour time), the social substance of value. Given this assumption, the ‘strong argument’ for commodity money then comes down to the following two propositions:

(i) there is an extensive measure of commodity value in commodity money, and this is distinct from its intensive measure in labour time;

(ii) there is a theory of determination whereby the intensive magnitude of the value of any commodity is determined by that of labour, so that money is – in fact – an indirect measure of labour, or its phenomenal expression.

Hence, when Marx comes in chapter 3 of Capital to discuss the function of money as a measure of value he seems to deny that this is so:
It is not money that renders the commodities commensurable. Quite the contrary. Because all commodities, as values, are objectified human labour, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money. Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour time (Marx, 1976a, 188).

According to the Appendix, of course, money alone renders commodities commensurable because money alone embodies concrete-labour in a form that is immediately abstract ‘objectified human labour’. Value appears ‘only in the act of bringing it [a commodity] into a relation with the ‘abstractly-general’ equivalent form of the commodity’ (Marx, 1994, 18, italics added). Now, on the contrary, commodities seem to be constituted as values (objectified labour) solely by virtue of the fact that they require labour time for their production: ‘all commodities, as values, are objectified human labour, and therefore in themselves commensurable’. How can this be? How can value be both alien to the commodity (as argued in the Appendix) and intrinsic to it (as argued in Capital I)?

In part, the key to resolving the ambiguity is to see that for Marx the commodity in isolation never expresses itself as value -- even where Marx does not say so explicitly. Hence the reference in the above passage to ‘commodities, as values’ already refers implicitly to commodities in the act of an exchange with a money commodity, and as such ‘all commodities as values’ are indeed objectified human labour. But even with this caveat, uncertainty remains as to the role of money in constituting commodities as values. On the one hand, money is at the origin of the value dimension in the sense that it has the intrinsic ‘property of being value’
On the other hand, money is merely a *form of appearance* of a value that is already immanent in all commodities as a quantity of labour time (*Capital I*). One cannot have it both ways.

That Marx does try to have it both ways produces a number of difficulties when it comes to the ‘logic of emergence’ of fully developed capitalist money. As Ganssmann (1998, 148-9) rightly points out this is nowhere clearer than in Marx’s Volume III treatment of money’s functions as credit and means of payment. On the one hand Marx insisted that in times of crisis the credit system most necessarily revert into the monetary system (where ‘real’ money is a commodity), on the other hand he recognised confidence in central banks, rather than a reversion to commodity money, is the key factor in restoring confidence in capitalist production. So, while relying ‘on a fundamental proposition about money’, Marx seems to acknowledge that capitalism develops in ways not captured by that fundamental proposition’ (Ganssmann, 1998, 148). As a result there is a certain ‘incongruence’ between the initial concept of money and capitalist money fully determined by its social functions. In the next section, I trace the source of this incongruence to Marx’s so-called ‘strong argument’, the idea that a common ‘substance’ (homogenous human labour) underpins the equality of commodities in an exchange relation.

1.2 Labour time and the problem of abstraction
The first abstraction that appears in *Capital* is not, in fact, labour but *capitalist wealth* in its elementary cell form: the commodity. But, having suggested the determinate character of the commodity as a capitalist form of wealth, Marx immediately suspends the presupposition and instead generalizes commodities as ‘use-values for others, social use-values’ (Marx, 1976a, 131). It is in this context of generalized commodity exchanges that ‘value’ is first introduced as a term for the relation of equivalence between commodities, ‘the common factor in the exchange relation’ (*ibid.*, 128).

Marx follows this with well known propositions about the ‘substance’ and
‘magnitude’ of value. As to ‘substance’ he suggests that the only property remaining in a commodity once its useful properties are discarded is that of being a product of labour, so that ‘congealed quantities of homogenous human labour’ give the exchange relation its ‘phantom-like objectivity’ (ibid., 128). In order that particular types of labour should be considered ‘equal human labour’ abstraction must also be made from particular types of labour to arrive at ‘human labour-power expended without regard to the form of its expenditure’; in aggregate this ‘human labour-power’ constitutes society’s total labour capacity, the ‘total labour-power of society’ (ibid., 128-9). To effect the aggregation, however, diverse (inherently incommensurable) skills must be treated as units of ‘homogeneous’ labour-power, where each unit is ‘the same as any other, to the extent that it has the character of a socially average unit of labour-power and acts as such’ (ibid., 129). Given this simplification, a pre-market measurement of the magnitude of value comes to depend on some average quantity of abstract-labour required to produce a commodity with a given level of technology and skill (ibid., 129).

What all of this implies about the exchange abstraction is that quantities of privately performed labour are socially equalized across individual production processes, such that the ‘individual commodity counts here only as an average sample of its kind’ (ibid., 130). The determinant of the ‘congealed labour time’ represented in the exchange-value of a commodity is, then, the productivity of labour: the greater the productivity of a particular unit of labour the less is the commodity’s social value (and vice versa). The determinants of labour productivity are, in turn, ‘the workers’ average degree of skill, the level of development of science and its technological application, the social organisation of the process of production, the extent and effectiveness of the means of production, and the conditions found in the natural environment’ (ibid., 130). Marx concludes that: ‘What exclusively determines the magnitude of value of any article is therefore the amount of labour socially necessary, or the labour time socially necessary for its production’ (ibid., 129).
But is this really what the practical relation of commodity exchange achieves? We could indeed derive value by calculation if labour has a ‘given’ measure – but it has not. Labour is immediately only private labour and proves itself to be social only ex-post – in money! In other words, it is only because money immediately constitutes the value dimension that it indirectly brings about a space for the commensuration of labours and sets itself up as their indirect measure. What then is the intensive dimension of labours that allows there immediate comparative measure? It is impossible to say at the level of simple circulation. Certainly, the technical conditions of production cannot provide a proper ground for the qualification ‘socially necessary’, as Marx himself seems to have recognized when he defined the commodity as a ‘use-value for others’, or a product that *has no value unless it is sold.* To make this point clear it is perhaps worth emphasising the relationship between value and ‘social use-value’ brought out by Engels when he inserted sentences in parentheses into Marx’s text in the fourth German edition of Volume I of *Capital:*

He who satisfies his own need with the product of his own labour admittedly creates use-values but not commodities. In order to produce the latter he must not only produce use-values but use-values for others, social use-values. (And not merely for others…In order to become a commodity, the product must be transferred to the other person, for whom it serves as a use-value, through the medium of exchange.) Finally, nothing can be a value without being an object of utility. *If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value* (Marx, 1976a, 131; *italics added*).

If the thing is useless, the labour embodied in it creates no value; but to be useful the thing must be transferred. With Engels’s amendment, the value-form of commodity exchange depicts a mode of *social synthesis* where usefulness holds everything
together. Not only does the labour time spent in production count as a social average for the production of particular commodities under given conditions, but the quantity of commodities produced must also correspond to a demand for these commodities; if not, labour is useless and no value is created. Of course it is not use-value (the particularity of commodities) but universal or abstract-usefulness (a dimension of all commodities as ‘social use-values’) that remains implicit along with abstract-labour in the ‘jelly’ of the exchange relation. With this caveat, Böhm-Bawerk’s well known criticism remains relevant: a simple reversion of the sequence of Marx’s investigation leads to abstract-usefulness rather than abstract-labour as the sought-after commonality in the constitution of value.

The full complexity of the problem is not, however, captured by Böhm-Bawerk. What his criticism overlooks is Marx’s own constitution of the commodity as a very peculiar product, a value-form which immediately posits an exchange structure that shapes relations not only between people (between types of labour) but also between users and things. Fundamentally, the usefulness of labour is inseparable from the usefulness of commodities. Hence, labour time is from the outset ‘socially necessary’ in a double sense: i) in the technical sense described by Marx, but also ii) in the social sense that use-values created by capital must find willing buyers in order that the labour expended on them create value. So, in order to establish value as the ‘inner connection’ between capitalist phenomena, Marx must show why the articulation of production and exchange within a dissociated system requires the value-form of association and also show how the value-form succeeds in equalising and measuring inherently heterogeneous labours, skills and products. Marx himself poses these questions, but rather than take the route from value-form to the determination of value substance and value measure, the early pages of Volume I proceed instead from content; that is, Marx begins his exposition not with the question of form-determination of content but the classical question of what is formed behind a system of generalised commodity exchanges. In consequence his project is burdened from the
start with an axiomatic assumption of value content *extraneous* to its form of appearance from which the development of value-forms – through commodity-form, money-form, capital-form etc – never fully escapes.

The next part of this paper reverse Marx’s proceedure. The point is to show that, by beginning with form and proceeding to content, it is possible to reconstruct the first two parts of *Capital Volume I* in such a way that capitalist money is fully determined by its social functions under the value-form. Here, money is not merely a phenomenal value measure: on the contrary money *itself* is at the origin of the value dimension and it makes no sense to speak either of ‘socially necessary labour time’ or the ‘magnitude of value’ as pre-monetary categories.

2. From Value-form to value-content: a reconstruction

2.1 The commodity-form and the money-form

To begin with, the concept of ‘value-form’ requires a clear restatement. Henceforth, the term will refer to an abstract-simple concept of association that presupposes an economic structure where wage labour is organised in independent production units, and where commodity exchanges establish market relations among autonomous producers and consumers. In other words, the value-form presupposes capitalism as an historically specific social form where indirectly social labour becomes directly social in money. This indirect sociality derives from the fact that all productive activity is ‘dissociated’: i) labour-power (a capacity of workers) and means of production (the property of capitalists) are separated through private property relations and must be reunited in order for production to take place, ii) production and consumption are separated in time and place implying market mediation, and iii) useful objects are produced not for the immediate satisfaction of the producers own needs but soley for monetary profit, implying the inseparability of value and social use-value. Because labour expended on producing commodiites proves to be social only when the
products of labour are successfully exchanged (prove themselves to be social use-values) there is a clear distinction between ‘private labour’ and ‘private labour that has proven to be social’, just as there is for Marx.

If we begin our reconstruction with this distinction we remain close to Marx while avoiding the difficulties of his commodity starting point. Indeed there is already, behind Marx’s definition of the commodity as ‘use-value for others’, a principle of dissociation from which the ‘value-form’ may be immediately derived as means of association (Arthur, 2002b, 87; Reuten and Williams, 1989, 56; Smith, 1990, 96). By taking dissociation as a starting point, therefore, Marx’s derivation of money (ch. 1, section 3) can be rescued and reshaped, not as a category pertaining to generalised commodity exchange but as a first determination of the value-form of exchange from which the ‘money-form’ emerges alongside the ‘commodity-form’ as a necessary and immanent condition for the existence of value relations. As will be clear from the reconstruction, there is no logical necessity to refer to value-content at this (very high) level of abstraction. Rather, derivation proceeds in a straightforward fashion from the conditions necessary for the existence of a value-form of exchange:

- \( x \text{ commodity } A = y \text{ commodity } B \). In this simple or accidental form of value, a definite quantity of commodity \( A \) exchanges for a definite quantity of commodity \( B \) bringing them into a relation of equivalence. Value is posited as a term expressing the equality of two commodities, such that the exchange-value of \( A \) is captured in the use-value of \( B \), and vice versa.
- \( x \text{ commodity } A = u \text{ commodity } B \text{ or } = v \text{ commodity } C \text{ and so on.} \) In this total or expanded form of value, structural determination becomes more complex because each single exchange is located within a system of such exchanges. Value is further determined as a principle of homogeneity or unity that obtains universally in a world of commodity exchanges.
- \( u \text{ commodity } A \text{ and } v \text{ commodity } B \text{ and } w \text{ commodity } C \text{ all exchange for } x \)
commodity $N$. In this general-form of value, one commodity emerges against which all other $n-1$ different commodities exchange. The categories of use-value and value are united in this $n^{th}$ commodity, a ‘body of value’ which has the intrinsic use-value of representing the exchange-values of all other commodities.

- $u$ commodity $A$ and $v$ commodity $B$ and $w$ commodity $C$ all exchange for a sum of money. In this transition from the general-form to the money-form, use-value (quality) and value (quantity) are reconstituted as an opposition of particularity (commodity) and universality (money). As pure quantity, money now faces the whole world of pure qualities, or commodities; it is an autonomous measure vested with the abstract capacity to equate, ideally, all heterogeneous commodities on the market as proportions of abstract social wealth: as values.

What is immediately obvious about the above reconstruction is that value is not derived by way of an abstraction from the useful properties of commodities (as it is in Marx’s own text). On the contrary, categories of use-value and value are derived together from the value-form of exchange as a dialectical opposition, so that each has meaning only in a relation with the other. In this relation, value (money) and use-value (commodity) are intertwined modes of being of the exchange relation. In the simplest expression of these modes of being, value (quantity) cannot fully express itself because the equation contains only two particular (and therefore inherently incommensurable) qualities, or use-values, $A$ simply exchanges for $B$ and a reciprocal need is met. As a category of the value-form, value is nevertheless implicit from the outset in the operation of gathering commodities together and positing them as social use-values. Moreover, it is in striving to overcome the inadequacies of the elementary (commodity) forms of value that the objectivity of value begins to emerge not as a property of particular commodities but as a social power to validate the usefulness of
commodities and, in doing so, unite them generically as proportions of abstract social wealth (Arthur, 2002c; Levine, 1983).

The result is a very different view of the essential character of money. In the above reconstruction, the universality of money fully derives from its social function in relating each use-value to all other use-values as portions of abstract social wealth (Williams, 1992, 1998). Money is therefore necessary not because it unites concrete-labour and abstract-labour in a ‘body of value’ (which takes us only as far as the general-form) but because money itself constitutes the value dimension as a ‘unity in difference’ where money as an ‘ideal signification’ of abstract social wealth becomes ‘the only adequate form of existence of exchange value in the face of all the other commodities, here playing the role of use-values pure and simple’ (Marx, 1976a, 227). Thus money proves to be ‘a socially given fact in the shape of the prices of the commodities’ (ibid., 189). If this important point is obscured in Marx’s own exposition, it is mainly because he depicts the money-form as itself a commodity-form (gold). Hence the general-form as Marx describes it is not fundamentally different from the money-form, except in the very weak sense that gold emerges by social convention as a universally valid monetary measure. Why a valid measure of value must necessarily be a commodity, Marx is unable to say (except by repeated reference to the labour value argument).

Here we arrive at a crucial difference with Marx: namely that a derivation of money from the value-form of exchange requires no reference to value substance (for which a further development of the value-form up to the capital-form is needed). Rather, the commodity-form and the money-form emerge together out of the value-form, and each requires the other. Commodities (particularity) require money (universality) in order that they exist as ‘use-values for others’; conversely, money exists because it confirms the sociality of each commodity by relating its particular use-value to all other use-values and, in so doing, confirms each one as socially useful (hence a contributor to abstract social wealth). What is common to the commodity-
form and to the money-form is not therefore a substance but the social relation which grants to these concepts their intelligibility. It is in this social sense that money is at the origin of the value system.

Ultimately, money is necessary not because it allows a hypothetical link between labour and value but because ‘it is absolutely necessary that value, as opposed to the multifarious objects of the world of commodities, should develop into this form, a material and non-mental one, but also a simple social form’ (ibid., 195). Removing the false notion of ‘material’ money from this sentence does nothing to alter its meaning, since Marx’s reference to necessity in any case relates to the way in which the dialectic of value-forms captures an objective relation between dissociated social structures. In isolation, each commodity is but a particular use-value, albeit potentially a social use-value. Only in exchange does the commodity express its sociality, its social usefulness, its universal relation to the whole world of commodities: ‘In the form of money, all properties of the commodity as exchange-value appear as an object distinct from it, as a form of social existence separated from the natural existence of the commodity’ (Marx, 1973, 145). Money as pure quantity strengthens Marx’s own distinction between the social world of value and the natural properties of commodities in a way that his derivation of the general-form of value cannot -- precisely because it is a particular (material) commodity.

That money is pure quantity is exactly what one must conclude from the dialectic of value-forms. What one cannot conclude is that labour constitutes the content of social value, or that this substance is what money indirectly measures in exchange. This is because the abstract universal concept of value, as it appears in the simple form of circulation C-M-C (commodity – money – commodity) remains completely ungrounded on any material production basis. Although quantity is present, no ‘law’ of magnitude is expressed here. To deal with questions of substance and magnitude, Marx must introduce (in Part Two of Volume I) a very different form of circulation M-C-M which ‘from the point of view of its function, already is capital’
(1976a, 248). With the introduction of a monetary form of circulation, the crucial transformation of money into capital begins.

2.2 Value-form: from money-form to capital-form

The core achievement of Part One of Capital is Marx’s analysis of value-form, from which the commodity-form and money-form are subsequently derived. The achievement of Part Two is to set in motion a further transformation that takes value theory beyond the concepts of the ‘simple form’ of circulation, $C-M-C$, examined in Part One. A more complex determination of the value-form, $M-C-M$, is necessitated by an inadequacy: namely that the simple form abstracts from money ‘as an end in itself’. Marx develops the distinction between the two forms of circulation as the focal point of chapter 4 of Capital:

The simple circulation of commodities – selling in order to buy – is a means to a final goal which lies outside circulation, namely the appropriation of use-values, the satisfaction of needs. As against this, the circulation of money as capital is an end in itself, for the valorisation of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless (Marx, 1976a, 253).

Marx explains: the ‘possessor of money’ as the ‘conscious bearer [Träger] of this movement’ of money is a capitalist; ‘the valorisation of value’ is his ‘subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist’ (ibid., 254). What is important here is that the immediate aim of the capitalist is neither the production of use-values nor the profit on a single transaction, but ‘the unceasing movement of profit-making’, and this can be achieved only ‘by means of throwing his money again and again into circulation’ (ibid., 254-55). Money functions as capital
only when it is *perpetually* thrown into circulation, and it is in this sense that the movement of capital is inherently limitless.

What does *limitlessness* in the concept of capital mean for the further determination of the value-form? The first point to note is that the *Cs* and the *Ms* have changed position. In the simple form of commodity circulation, *C-M-C*, money ‘does nothing but mediate the exchange of commodities’ vanishing altogether in ‘the final result of the movement’; but, in the monetary form, *M-C-M*, money gives to value a particular shape: ‘above all an independent form by means of which its identity with itself may be asserted. Only in the shape of money does it [value] possess this form’ *(ibid., 255)* and assert its identity with itself. Here the concept of the *magnitude of value* makes a first appearance as something immanent neither in commodities nor in the comparison of commodities but in a *monetary comparison* of value with *itself* over time. The second point to note is that the two *Ms* are qualitatively the same, unlike the *Cs* exchanged in the simple form of circulation. The immediate implication is that the capital-form of circulation is intelligible only if it is viewed as a process driven by the requirement for monetary expansion, *M-C-M´* (where *M´* is a greater sum of money than that originally advanced in *M*). Hence, the simple valorisation form, *M-C-M´*, describes a ‘general-formula for capital’ or ‘the form in which it [capital] appears directly in the sphere of circulation’ *(ibid., 257)*.

With the valorisation form, Marx arrives at an important point in the development of the concept of value. In *M-C-M´*, money *initiates* -- rather than merely *mediates* -- a drive towards the limitless expansion of abstract wealth. Once money has become an ‘end in itself’ the dimension of value magnitude is constituted *independently* as a comparison of money with itself at two different points in time. Hence the concept of magnitude acquires in addition to its monetary form, *a temporal dimension*. As a temporal phenomenon, value is posited as the *subject* of a movement through time:
In simple circulation, the value of commodities attained at the most a form independent of their use-values, i.e. the form of money. But now, in the circulation M-C-M, value suddenly presents itself as a self-moving substance which passes through a process, and for which commodities and money are both mere forms. But there is more to come: instead of simply representing the relations of commodities, it now enters into a private relationship with itself, as it were. It differentiates itself as original value from itself as surplus value…” (Marx, 1976a, 256).

When value enters into ‘a private relationship with itself’, it becomes capital; with this the concepts of money and commodity are together transformed. No longer do they enter into an exchange relation at opposite poles but, instead, ‘money and the commodity function only as different modes of existence of value itself, the money as its general [universal] mode of existence, the commodity as its particular or, so to speak, disguised mode’ (ibid., 255). It is a fundamental development. No longer are we dealing with the unity of quantity and quality in the simple value-form of the exchange relation, instead we are dealing with the unity of value as subject wherein: ‘capital is money, capital is commodities’ (ibid., 255). Indeed, it is only through alternating moments of ‘fixity’ in these universal and particular moments that value ‘preserves and expands itself’, so becoming ‘value in process, money in process, and, as such, capital’ (ibid., 255-6).

As capital, then, money itself becomes the subjective object of desire of economic actors (capitalists), so that the augmentation of value (of money-capital and not the simple exchange of use-values) becomes the core characteristic of capital as a valorization form. Money is moreover the only form in which the objective difference between original value, $M$, and surplus-value (the difference between $M'$ and $M$) can be measured. What money is essentially is the origin of value, where it is the sole autonomous measure of the success of capital as a valorization form. In the circuit, the
measure of magnitude cannot therefore be restricted to a principle of equivalence underpinning the exchange of commodities at a single point in time (as we will see, the exchange C-M-C itself has meaning only as a moment within the circuit of money-capital), but only as a monetary relation where measurement takes place across time. The real question, the one that Marx himself asks in Part Two of Volume I, is the question of what happens in the time interval between two moments, M-C and C-M’. What happens, Marx says, is the production of commodities.

In introducing production, Marx argues that it is a necessary process whereby commodities come into being. Hence, the circuit of money capital is more concretely described as a process wherein value transforms itself via successive movements through exchange and production: M-C-P-C’-M’ (where the two Cs are different commodities, and P is production). Although Marx does not fully describe the circuit of money-capital in this way until Volume II (Part One), his analysis of the ‘sale and purchase of labour power’ (in chapter 6 or Volume I) sets the scene. The essential idea is that the value of labour-power (the commodity purchased by money-capital prior to production) and the value of the commodity produced by labour (in production) are potentially of ‘two different magnitudes’, and this ‘difference’ becomes the cornerstone of Marx’s Part Three analysis of production where the identification of the source of value in labour and the objectification of the ‘immanent’ (labour time) measurement of value in money seamlessly merge together. Yet, as the following reconstruction shows, there is no logical necessity to refer either to labour-power or money as ‘commodities’ within the circuit. By dispensing with these analytic assumptions, the analysis of money is in fact strengthened.

2.2 Money as capital
Let us begin, with the relation between subjective and objective determinations of capital hinted at by Marx himself. On the other hand, we depart immediately from Marx by saying that in the first moment of the capital circuit, M-C, labour and time
first appear together in the wage-rate which specifies how much money capitalists are willing to pay for each hour of labour activity, on the expectation: i) that labour-power (not itself a commodity) can be transformed (in production) into marketable commodities, and ii) that monetary returns from the sale of these commodities will exceed the wage bill.

The first clue to the complexity of capital’s demand for labour-power lies in the ‘subjective’ intention identified by Marx himself: that is, capitalists’ expectations that profits will result from a transformation of potential labour (labour-power) into actual labour (activity). But, validation of production decisions requires more than the unleashing of the potential of labour-power in productive activity. It requires also that new commodities find willing purchasers on capitalist markets. So: logically, and really, what capitalists have in mind when they express (in labour markets) a demand for labour-power are not magnitudes of labour time as Marx proposed, but the prices of labour-power for each day that it is employed in relation to the expected prices of the objects that labour will produce. The ‘limitlessness’ of capital is therefore contradicted from the outset not only by the inherent uncertainty of the transformation of labour-power into labour (as Marx says), but also by the capacity of capital to shape ‘limitless’ desires (new preferences) and to set prices (in commodity markets). Along with productivity, the social structure of the market faced by any particular capital is one of the crucial determinants of the size (or magnitude) of value. Uncertainty is therefore at the very heart of the capital circuit, where an independent production process – involving the transformation of the potential to labour (labour-power) into actual labour (activity) – may well count for nothing in the success of value as capital.

In my view, it is this domination of monetary abstraction over the private allocation of labour that signifies ‘the transition of the value-form from the sphere of exchange to capitalist production’ (Eldred and Hanlon, 1981, 29). Inside the circuit of capital success requires monetary validation in a double sense: on the one hand, validation in commodity prices of the social usefulness of commodities and, hence, of
the sociality of the labour (and time) that went into producing them; on the other hand, social validation of private decisions to purchase labour power and commit resources to a production process, which requires a monetary result that does not exhaust the wage-bill. Marx recognised the interconnection of these two forms of monetary validation in *The Results of the Immediate Production Process*, a chapter written for (but excluded from) the first German edition of *Capital*. There he writes that: ‘the labour objectified in the means of production can only be increased…to the extent to which it sucks in living labour and objectifies it as money, as general social labour’ (Marx, 1976b, 994). Indeed, it is ‘pre-eminently’ the objectification of labour (activity) as money (a result), that confirms ‘the valorization process as the authentic aim of capitalist production’.

The first step in untangling the confusions of money, labour and time is then to see that private concrete-labour (activity measured in time) is itself transformed in the exchange of commodities, when abstract-labour emerges not as a determinant of the magnitude of value but a result: as objectified social labour (measured not in time but in money). In so far as the capital-form shapes production processes to the ends of profit it now fully determines its content, instantiating labour as a dual concept, where particular (concrete) labour in production is dialectically opposed to universal (abstract) labour in exchange. Because the duality of labour arises directly out of the uncertainty of dissociated production and consumption, the unity of value (as capital) and the unity of labour (as it is shaped by capital) come together in the stages of the circuit as a ‘unity composed of the labour process and the process of creating value’ (Marx, 1976a, 293). This unity of the capital circuit can be reconstructed thus:

- Stage 1, ‘ideal pre-commensuration’. On labour markets, an external productive capacity (labour-power) is purchased by capitalists on the expectation of future profits. Time appears as a definite period in the wage contract and value appears in its universal moment as money which
potentially begets money, as capital.

- Stage 2, the transformation of labour-power into activity. In production, *money is absent* and productivity is the sole determinant of how much of a particular commodity (potential money) is produced with a particular unit of concrete-labour (potentially useful/social labour). Higher productivity and the shortening of turnover time increase capital’s augmentation, *ceteris paribus*, by diminishing the labour time needed to produce a commodity as well as the passage of time before the validation of labour time is effected in markets. Yet, quantified labour time (mathematically amenable in so far as it can be summed in hours) is not the dimensional space within which the social usefulness of activity has its measure. On the contrary, value is ‘fixed’ at the end of production in its particular moment (the commodity) and labour appears only as so many hours of *potentially useful activity* (expended on producing a commodity). Only in the final exchange do commodity prices validate capital’s initial allocation of labour and objectify activity as a successful result (as abstract labour).

- Stage 3a, the measurement of labour and commodities in exchange. In exchange, *time is absented* through the monetary abstraction required to associate a multitude of particular labour processes and products and measure their contribution to the growth of abstract social wealth. The measurement of social labour is inseparable from the measurement of commodities since the endless series of price equations equating commodities simultaneously equates, and validates as social labour, the labour time expended on producing them. Although exchange lies within the capital circuit, value as process (as capital in motion) does not exist in exchange, any more than it exists in production; rather, value is ‘fixed’ in each of these moments. Exchange is but *a single point in time* where value manifests in its universal moment, as money or quantity.

- Stage 3b, the measurement of value as capital *after* production and *after*
exchange. When value is measured as capital it is brought into a monetary relation with itself at two different points in time. The comparison of surplus-value \((M')\) with original value \((M)\) provides an ‘actual commensuration’, a social indicator of the size or magnitude of capital’s success as a valorization form.

In this reconstruction of the relation of value to labour, value is the subject of a process to which labour is subjugated. As activity concrete-labour produces use-values (potentially useful objects) and, since capital is here as particularity, commodities are value in its particular moment. This does not mean that commodities contain value, any more than they contain hours of useful labour. No useful labour is present in production, because the labour process has yet to achieve monetary validation through the sale of its products (private labour has yet to prove itself socially useful). Labour time itself requires ex post validation when commodities prove themselves as social use-values (when consumers willingly buy them). An ex-post validation of hours of labour time is therefore effected only in the monetary association of labour activities and processes (in the final exchange), where time truly disappears and the inversion effected by the value-form is complete. In other words: in exchange, labour and time are reconstituted as a monetary relation among things, where demand (rather than productivity) impacts negatively, positively or not at all on the social valuation of commodities, labour and time.

In each transformation of value, then, labour counts differently. Prior to production and exchange, through ideal pre-commensuration, labour is brought into the orbit of capital through the exchange of labour-power for money-capital. When labour counts as activity in production (potential money) it is measured by the hours of the working day (and intensity), as stipulated in the wage contract. When labour counts as a result in exchange (actual money), the social contribution of particular activities to the production of abstract wealth is confirmed because, in money, the
initial allocation of labour and subsequent expenditure of labour time is subjected to a market driven evaluation of commodities by willing purchasers (workers purchasing means of consumption and capitalists buying means of production). So, when we consider the process of production and exchange, where the concept of value acquires a more complex articulation as value in motion, what is validated (measured) is not labour at all but the valorisation form itself. When money measures the magnitude of value it functions as a measure of capital’s achievement in subsuming the whole of its content (commodity, labour and time) under the social (monetary) imperatives of the value-form.

3.

Some implications for the further development of money as credit

To be completed! Here I will return to the discussion of money as credit in Williams and Ganssmann (and Marx’s volume III). I will also talk about money as means of payment of the wage-bill inside the circuit.

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