

Steve Fleetwood (1999) 'Clarifying Marx's Theory of Money' in Smithin J. *What Is Money?* Routledge: London, pp 173-194.

Introduction

This chapter argues that money, in its developed form, emerges at the end of a process wherein a contradiction in the activity of labouring is converted into a contradiction in the products of this activity (i.e. commodities). The contradiction is eventually resolved when one of these commodities becomes money. Understanding the nature of money, then, involves tracing the contradiction from labouring activity, through the commodity, to the particular money commodity - gold or whatever.¹

I re-visit Marx's theory of commodity money in full knowledge of the (nowerdays) commonly held notion that because the contemporary capitalist system is dominated by credit, *fiat*, electronic, and various other forms of non-commodity money, Marx's theory is anachronistic. As will become clear in the conclusion, however, rather than abandon Marx's theory of commodity money, an argument can be made for retaining it as a powerful explanation of monay, and re-evaluating our notions of contemporary money.

The chapter consists of four parts. A brief note on the method is followed, in part two, by an explanation of how labouring activity in a system of commodity production and exchange is co-ordinated. The peculiarities of this system generates a contradiction in labouring activity, that is, between the individual, concrete and particular ways in which labouring activity is actually performed, and the social, abstract and universal form which it (strives to) adopt. Part three shows how this contradiction is converted into a contradiction in the commodity, that is, between the commodity's particular (use value) and universal (value) forms. This involves a little re-thinking of the nature of use value. Part four shows how the contradiction contained in the commodity is resolved when one particular commodity becomes simultaneously a commodity and money. A resume then loops back to part two and the co-ordination of labouring activity.

1. A note on method

I follow Reuten and William's (1988; part 1) rejection of the *analytical* method of dealing with socio-economic categories in favour of the *method of systematic presentation*. The analytical method proceeds by deploying the categories, fully formed, at the outset, then subsequently combining them (usually via the deductive method²) to form a body of theoretical statements. The problem with this method is that it merely states, rather than derives, the categories with which it works. The method of systematic presentation, by contrast, grounds the categories by (a) positing them, and subsequently (b) deriving them via the transcendence of contradiction from the more abstract categories that pre-stage them. The presentation, therefore, unfolds from abstract to more concrete categories by successfully grounding them.³

In the specific context of money, the method of systematic presentation means one cannot begin by deploying money at the outset. Rather, money must be grounded by (a) positing it, and subsequently (b) deriving it via the transcendence of contradiction from the more abstract categories of labour, value, and commodities that pre-stage it. Money eventually emerges, as a result, only at the very end of the presentation.

One needs, however, to be aware of a potential problem in using this method. Since the only form in which (say) labour can manifest itself is money, and since labour is one of the categories in which money must be grounded, one must start with labour. But starting with labour necessarily means making claims about labour that cannot, strictly speaking, be made until the introduction of money. And so a vicious circle is encountered; claims must be made at a particular stage in the presentation that cannot, strictly speaking be made at this stage. This a problem afflicting all attempts to explain an internally related system where the categories evolve dialectically and what emerges at the end was present in *nuce* at the start.⁴

Overcoming this problem, requires a little patience by the reader, because it means that ***any claim can only be evaluated upon completion of the entire presentation*** - and this is why money, which was posited at the outset, emerges only at the very end of the presentation. I will, therefore, remind the reader of this highlighted sentence in those places where it might appear I am making a mistaken claim.

2. The contradiction in labouring activity

One of the most fundamental activities occurring in any human socio-economic system is that of labouring, that is, transforming the material world (which includes human knowledge) from one state to another, more useful, state. The many different acts of labouring must be co-ordinated with one another whenever some overall (societal) goal is successfully realised - e.g. building a Pyramid, sowing and reaping a crop, building a car or caring for the sick. Since this co-ordination occurs in different ways in (spatio-temporally) different socio-economic systems, how, one might ask, does it occur in a capitalist system?⁵

A capitalist system⁶ is, essentially, one where labouring activity is carried out by atomised, isolated, individual producers - or collectivities of producers such as firms.⁷ These producers never meet to discuss the co-ordination of their activities, nor are their activities co-ordinated via a central agency. Yet, clearly, their labouring activities are co-ordinated (however badly) or the socio-economic system would grind to a halt. Labouring activity is *indirectly* co-ordinated via the systematic exchange of the products of these very activities - i.e. commodities. And the systematic exchange of commodities involves the systematic evaluation of these commodities, that is, the assignment of appropriate value magnitudes or exchange values.⁸

The systematic (as opposed to the accidental) evaluation of commodities implies that the very different objects that are produced and exchanged are commensurable - and, of course, commensurate. To write for example, 2 guns = 20 coats is, quite literally, nonsense (*cf* Carling 1986; 60). Guns and

coats are, by their natures, incommensurable entities, and so one needs to look elsewhere to find the nature of their commensurability. In Marxist economics, incommensurable entities are rendered commensurable, because they are products of human labour.⁹ But what kind of human labour is involved here?

Labouring activity is *actually* performed by isolated individuals and is concrete and particular in the sense that (say) gunsmithing is a completely different activity from tailoring. And as such, the various labouring acts necessary to make guns and coats are *as incommensurable as the products themselves*. Being the products of individual, concrete and particular labour, then, is not sufficient to render incommensurable entities commensurable.

But as well as being individual, concrete and particular labouring activity also adopts *social*, *abstract*, and *universal* forms. Let us consider these forms in a little more depth.

◇ *Labour is social* in the sense that the labouring activity of an isolated individual is related to the labouring activity of many others via the commodities they each produce. Whenever an individual tailor makes a coat, there are, simultaneously, thousands of other tailors doing exactly the same thing in thousands of different spatio-temporal locations. This labouring activity is social, despite the fact that the individual tailor has no *direct* relations with any of the other tailors, because his/her labouring activity is *indirectly* co-ordinated via the systematic exchange of their commodities. Notice that individual labour does not disappear here, rather, individual labour doubles into a unity of itself and social labour.

◇ *Labour is abstract* in the sense that the concreteness of the various natural labours undertaken to produce coats and guns are abstracted from. This process of abstraction is not an epistemic matter (i.e. not something economists do in theory), rather, it is an ontic matter (i.e. something that occurs in reality). And it happens, ultimately, via the market. Notice that

concrete labour does not disappear here, rather, individual labour doubles into a unity of itself and social labour.

- ◇ *Labour is universal* because it is social and abstract. Concrete and individual labour is particular in the way lions and tigers are particulars. Social and abstract labour is universal in the way animal is a universal, - although unlike animal, social and abstract labour have a material existence.¹⁰ Notice that particular labour does not disappear here, rather, particular labour doubles into a unity of itself and universal labour.

Social abstract and universal (henceforth SAU) labour is the *social form* adopted by individual, concrete and particular (henceforth ICP) labour. Because SAU labour relates the labours of individual producers and abstracts from the concrete particularity of their labouring activities, it has the *potential* to render incommensurable entities commensurate.¹¹ For this potential to become actualised, however, SAU labour must adopt an appropriate form. This is best understood by considering the forms in which, ICP labour and SAU labour strive to manifest themselves.

- i) The material distinctiveness of each act of ICP labouring manifests itself as itself (in the sense that one can actually observe these acts); and in the form of the particular commodity it produces. When one observes the material distinctiveness of a commodity, one is, indirectly, observing the ICP labour that produced it.¹² But, as noted above, ICP labour cannot render incommensurable entities commensurate in which case: the systematic evaluation of commodities cannot occur; the systematic exchange of commodities cannot occur; and hence labouring activity cannot be co-ordinated.
- ii) SAU labour, whilst having the potential to render incommensurable commodities commensurable, has no material distinctiveness. It can neither manifest itself as itself, nor can it manifest itself in the form of a particular commodity. SAU labour cannot manifest itself as measurable

amounts of labour embodied in a commodity because only hours of ICP labour are observable and hence measurable.¹³ Simply put, one cannot walk into a shop and purchase a commodity in terms of its SAU labour content. Without an appropriate form, however, the potential cannot become actualised and SAU labour cannot render incommensurable entities commensurable. Without this, once again: the systematic evaluation of commodities cannot occur; the systematic exchange of commodities cannot occur; and hence labouring activity cannot be co-ordinated. One ends up in the same position as in (i) above - although in this case for different reasons.

Herein lies the fundamental contradiction of the capitalist system. Labouring activity *cannot* be co-ordinated in the form in which it is actually performed (i.e. ICP) and in which it manifests itself. Labouring activity *can* be co-ordinated if it adopts the form of SAU labour. But SAU labour cannot manifest itself as itself. At the same moment, then, as ICP labour adopts the SAU form, the latter is, itself, striving to adopt another form. SAU is, as it were, struggling to find an appropriate form of manifestation. To run ahead of the presentation a little, SAU labour needs to adopt the value form of commodities; and to run ahead to the end of the presentation, it needs to adopt the price form of commodities, and this of course requires money.

Notice that this (ontic) contradiction has motivated the (epistemic) shift to another stage of the presentation. It is time to consider how the fundamental contradiction in labouring activity becomes converted into a contradiction in the commodity, that is, between the commodity's particular (use value) and universal (value) forms.

3. The contradiction in the commodity

Marx once remarked that the commodity, whilst “at first sight an extremely obvious, trivial thing”, abounds in “metaphysical subtleties” (1990; 163). This section attempts to unpack some of these metaphysical subtleties and begins

by introducing three key sets of ideas before proceeding to develop them a little more.

First, whilst it is commonplace to refer to a commodity as a *unity* of use value and value, precisely what this means is not always clear. The idea that a commodity is a unity means that use value and value are *internally related*.¹⁴ And this means that use value is what *it* is in virtue of value being what *it* is - and *vice versa*. Put another way, a use value can only be a use value when a value is a value - and *vice versa*.

Second, most discussions imply, or even state, that the commodity is a *material* category because it refers to the useful, physical properties or bodily shape of a commodity, whereas value is a *social* category because it refers to the social form in which the bodily shape manifests itself. Despite Marx's own conflicting and confusing comments on this issue, I think this is incorrect.¹⁵ I suggest, therefore, that use value is best conceived of triadically as (i) a *material entity* with *two social forms* - (ii) use value and (iii) value. In other words, *use value is a social category*; it is the social form in which the bodily shape of a commodity manifests itself. Rather than write 'a commodity *is* a use value', one should write 'a commodity **has** a use value form.'

Third, whilst the notion of "becoming" is not prevalent in *Capital Volume 1*, it is, by contrast, extremely prevalent in *Contribution to the Critique of Political Economy*, especially pp 42-9. Unless one is prepared to accept a metaphysics of fixed, ready made, non-evolving entities, then one has to accept that entities never *are* themselves, rather, they *become* themselves. Commodities, the use value and value forms never *are* themselves, they *become* themselves. To differentiate between an entity that has not yet become itself, and an entity that has, I differentiate between *potential entities* and (actual) *entities*. Hence I differentiate between a potential commodity and a commodity; potential use value and use value; and potential value and value.

Now, with these three sets of ideas (partially) clarified, one is in a position to uncover the metaphysical subtleties surrounding the commodity. It is, perhaps, easiest to begin with a schematic overview, then gradually enrich the scheme. What makes these metaphysical subtleties difficult to grasp, is that for a potential commodity to become a commodity, four other (different yet internally related) moments of becoming must also occur.

- a) A commodity's potential use value form must become an (actual) use value form.
- b) A commodity's potential value form must become an (actual) value form.
- c) For (a) to occur, the use value form must double into a unity of use value and value forms.
- d) For (b) to occur, the value form must double into a unity of value and use value forms.

It is this reciprocal process whereby the use value form of a commodity doubles into a unity of use value and value forms (and *vice versa*) that makes the commodity a genuine *unity* of use value and value, and not just an entity with two aspects to it. Let us consider these points from the perspective of use value and value respectively.

Use value

Immediately after the production stage, the producer of a material entity¹⁶ has produced just that, a material entity. This entity might have been produced to be a commodity with use value and value forms, but as yet it is none of these things. All one can say is that this material entity has the potential to adopt the use value form. It adopts the form of a use value, however, only when it is placed on the market and finds a buyer because this act signals that members of society have recognised the usefulness of that entity.¹⁷ Note well

that in order to be placed on the market, the material entity must adopt, as well as the use value form, the value form - and an exchange value form.

I noted above that use value is best conceived of triadically. Let me flesh this out a little via the example of a coat - I will expand upon the value form in a few moments.

- i) When one refers to a coat *qua coat*, one refers solely to its *material dimension*; that is, to its material, physical, natural, (or as I will call it for brevity), *bodily shape*.
- ii) When one refers to a coat *qua use value*, one is referring to *both* its *material* and *social dimensions*. A coat is a material entity with a particular bodily shape, and this shape has been *socially* registered as useful.
- iii) When one refers to a coat *qua value*, one is referring solely to its *social* dimension.

It is important to note that the coat's bodily shape never disappears irrespective of the form in which it adopts. Rather the coat doubles into a unity of (ever present) bodily shape and social forms. Henceforth when referring to the use value form of a commodity it is understood as referring to a commodity's ***socially recognised bodily shape***. A commodity is social because it is socially recognised and material because the bodily shape is ever present.

Value

Immediately after the production stage, the producer of a material entity has produced just that, a material entity. This entity might have been produced to be a commodity, with use value and value forms but as yet it is none of these things. All one can say is that this material entity has the potential to adopt the value form - the producer probably has a particular exchange value magnitude in mind. It becomes a value, however, only when the entity is

placed on the market and finds a buyer, because this act registers the fact that the exchange value magnitude¹⁸ is, let us say, about average. Updating Marxist terminology, one could say the entity *reflects* (not embodies) socially necessary SAU labour. This means that the value of the socially recognised bodily shape (use value) of commodity X is similar to the value of the socially recognised bodily shape (use value) of commodities Y and Z. Note once again, that in order to be placed on the market, the entity must adopt, as well as the value form, a use value form. “Use value as an active carrier of the exchange value becomes a means of exchange” (Marx, 1976; 42).

Taking both use value and value categories together, one can draw the following conclusion. An entity (i.e. a potential commodity) becomes a commodity when it is placed on the market, when the potential value form adopts the value form, and when the potential use value form adopts the use value form. And this requires that the use value form doubles into a unity of value and use value forms. Only then does the commodity become a unity of use value and value.

There is, however, still a little more work to be done on the way a commodity adopts the value form. To adopt the value form, a commodity must become an equivalent. A commodity becomes an equivalent when it can “freely take the place of a definite quantity of another commodity” (*ibid*; 44). And a commodity can do this only when it is *qualitatively* and *quantitatively* identical to another commodity.

- ◇ To be *qualitatively* identical means a commodity must subordinate the bodily shape that makes it different from any other commodity. The bodily shape is subordinated when a commodity adopts the value form. As *values*, commodities are qualitatively identical. This is what makes commodities commensurable.
- ◇ To be *quantitatively* identical means a commodity *reflects* a certain magnitude of SAU labour, that is, a socially necessary magnitude. This is

what makes commodities not only commensurable, but also commensurate. As *exchange values*, commodities are quantitatively equal.

Now, when commodity X becomes an equivalent (*to commodity Y*) then, X is perceived of, by the owner of commodity y, as value *per se*, as the “shape of value” (Marx 1994; 15). One sees the equivalent commodity X, not as an entity with a bodily shape but an entity with a bodily shape that is immediately recognised *by the owner of commodity Y (alone)* as the shape of value. This is why an equivalent can “freely take the place of a definite quantity of another commodity.”

At this point, however, the contradiction contained in labouring activity makes its presence felt in the commodity. An ‘ordinary’ commodity like commodity X is a *particular* commodity. To commodity Y, commodity X might be an equivalent, but it can only be a *particular equivalent*, not a *universal equivalent*. Put another way, to commodity Y, commodity X might be the shape of value, but it can only be a *particular* shape of value. It cannot be the *universal* shape of value. The owner of commodity Y might be prepared to recognise commodity X as an equivalent, but this says nothing about the owners of all other commodities who do not see commodity X as an equivalent, as the shape of value.

As noted above, whilst an ‘ordinary’ commodity is the product of ICP labour, it cannot render incommensurable entities commensurate. SAU labour, whilst having the potential to render incommensurable entities commensurable is itself struggling to find an appropriate form, that is, it is struggling to adopt the value form of commodities. It now transpires, however, that whilst a commodity needs to adopt the value form, it cannot do so because an ‘ordinary’ commodity cannot become a *universal* equivalent. Better put, an ‘ordinary’ commodity cannot double into a unity of particular and universal.

The contradiction contained in labouring activity and, subsequently, converted to the commodity has now reached an impasse. Marx put matters in the form of a question:

How is it possible to present a particular commodity directly as materialised universal labour-time (or which amounts to the same thing) how can the individual labour-time materialised in a particular commodity directly assume a universal character? (Critique; 46).

Using the terminology developed in this chapter, the question can be re-stated thus:

How can ICP labour time reflected in a particular commodity represent SAU labour time?

The short answer to this question is: 'When one particular commodity ceases to be an 'ordinary' commodity (i.e. a commodity that is not money) and becomes money. The in-depth answer, forms the subject matter of the following section.

Before this, however, notice that once again, an (ontic) contradiction has motivated the (epistemic) shift to another stage of the presentation. The contradiction contained in the commodity, that is, between its particular (use value) and universal (value) forms eventually reached an impasse than can only be resolved via one commodity becoming money.

4. From the commodity to the money commodity

In the example used above, commodity X became the (particular) equivalent of commodity Y. If commodity X is described as a commodity in the *equivalent form*, then a term is needed to describe commodity Y. Marx refers to commodity Y as a commodity in the *relative form*. These two commodities do not, however, play the same roles. The difference between equivalent and

relative forms becomes clear by unpacking the statement '20 meters of linen is worth one coat.'

Here the value of the linen is expressed relative to the coat. What is 20m of linen worth? It is worth one coat. The commodity in the relative form (linen) is having its value expressed or reflected, whereas the commodity in the equivalent form (coat) is doing the expressing or reflecting. The bodily shape of the coat is immediately recognised as the (particular) shape of value, as the (particular) materialisation of SAU labour.

It is worth pausing for a moment to reflect upon the bodily shape of the (particular) equivalent commodity. It is (understandably) commonplace for Marxist economists to downplay the role of the bodily shape of commodities when discussing value, because the real interest is in social categories and bodily shape is clearly a material category. Whilst it is completely true that social categories are the real issue, bodily shape still matters for a very simple, but important reason: the bodily shape becomes the basic unit of account. The bodily shape of the coat becomes the "natural measure" (Carling 1986; 60) of the value of the linen. Without the bodily shape the worth of a commodity could not be expressed quantitatively. When, therefore, one asks: What is 20m of linen worth? one can reply by attaching a magnitude, hence, 20m of linen is worth *one* coat. The bodily shape of the coat becomes the "natural measure" (Carling 1986; 60) of the value of the linen - 20m linen is worth *one* coat.¹⁹ Irrespective of the commodity that acts as the equivalent (e.g. coats, linen, cigarettes, silver, gold or whatever) a magnitude is always attached to it; and it is the bodily shape that provides this unit - although this bodily shape has, of course, to become the socially approved shape of value.

At this point, with the various categories of labour, commodities, and value forms explained, the investigation can demonstrate how one 'ordinary' commodity is singled out to become the money commodity. Marx proceeds via four stages, characterised by the following forms of value: (i) Simple,

isolated or accidental form; (ii) Total or expanded form; (iii) General form; and (iv) Money form of value

Whilst the method Marx employed here is extremely interesting, to go into detail on it would be tangential to the chapter, so a brief explanation will have to suffice.²⁰ Each stage introduces a specific type of exchange with the aid of certain theoretical categories. Each specific type of exchange will be elaborated upon until certain limitations (Marx calls them “defects”) are encountered. At this point, the categories of that stage will have become insufficient to sustain any further elaboration, and the analysis shifts to the next stage with a new type of exchange and a new, richer set of categories. The four stages/forms can be visualised in diagram 1.

<i>i) Simple, isolated or accidental form of value</i> <div> <div>RELATIVE</div> <div>A</div> </div> <div> <div>EQUIVALENT</div> <div>B</div> </div>	<i>ii) Total or expanded form of value</i> <div> <div>RELATIVE</div> <div>A</div> </div> <div> <div>EQUIVALENT</div> <div>B</div> <div>C</div> <div>D</div> <div>E</div> </div>
<i>iii) General form of value</i> <div> <div>RELATIVE</div> <div>B</div> <div>C</div> <div>D</div> <div>E</div> </div> <div> <div>UNIVERSAL EQUIVALENT</div> <div>A</div> </div>	<i>iv) Money form of value</i> <div> <div>RELATIVE</div> <div>B</div> <div>C</div> <div>D</div> <div>E</div> </div> <div> <div>SOCIAL-UNIVERSAL EQUIVALENT</div> <div>M</div> </div>

(Diagram 11 adapted from Carling 1986.)

i) Simple, isolated or accidental form of value

Marx starts with the simplest form of value relation, namely where two commodities are exchanged, for example, 20m linen = 1 coat.²¹ Immediately, however, one encounters the limitations of this form.

The coat is the equivalent of the linen, but it is only a particular and not a universal equivalent. The coat officiates as the equivalent of the value, and that is all. The equivalent cannot, at this stage in the presentation, actually be the universal shape of value. Methodologically speaking, the presence of these limitations signal the need to move on to the richer categories of the next stage.

ii) Total or expanded form of value

It is quite arbitrary which commodity appears as the relative and which as the equivalent form. Indeed the value of any one commodity (e.g. linen) is capable of being expressed in an indefinite number of other commodities (e.g.) coats, or tea, or coffee, or corn, or gold, or iron. The simple form of value 20m linen = 1 coat could, then, be indefinitely *expanded* as follows:

20m linen = 1 coat, or 10kg tea, or 20kg coffee, or 50kg corn...

The linen no longer stands in relation to the coat, but now to a chain of other commodities. "As a commodity, it is a citizen of the world" (Marx, 1990; 154). There are, however, three limitations to the total or expanded form.

i) Not only is the expression of value incomplete, it can never be completed because another commodity can always be added to the chain.

ii) Only one commodity at a time can have its relative value expressed in this expanded chain of commodities:

- ◇ value of linen can be expressed in coats or tea or coffee
- ◇ value of coats can be expressed in tea or coffee or linen
- ◇ value of tea can be expressed in coffee or linen or coats

i) When considering a commodity in the equivalent form, it is the material dimension that is brought into focus, to be more precise, it is the socially recognised bodily shape that is brought into focus. In the expression 20m of linen is worth 1 coat, it is the bodily shape of one countable coat that is brought into focus. This means each equivalent commodity is materially different from all others. There is no basis for commensurability between coats, tea, or coffee. This makes each equivalent commodity unique amongst an indefinite set of others. There is no single equivalent commodity in which to express relative value. The value of the linen is expressed now in the particular equivalent 'coat', now in the particular equivalent 'tea', now in the particular equivalent 'coffee.' There is no single, unique, equivalent.²²

Methodologically speaking, the presence of these limitations signal the need to move on to the richer categories of the next stage.

iii) General form of value

The (previous) total or expanded form is no more than the sum of all the simple forms of value. It can be re-written thus:

20m linen	=	1 coat
20m linen	=	10kg tea
20m linen	=	20 kg coffee....

Here the value of linen is expressed in a series of differentiated commodities. Consider these exchanges a little closer.

Person O exchanges 20m linen:

- now with person P for one coat
- now with person Q for 10 kg tea
- now with person R for 20 kg coffee

Whilst person O is exchanging linen for a series of commodities, people P,Q and R are exchanging coats, tea, and coffee for *one particular* commodity, namely linen. A curious reversal takes place. The relative and equivalent forms swap places. Instead of linen as relative and coats, tea and coffee as equivalents, one finds coats, tea and coffee as relative and linen as equivalent. The expanded relative form is thereby reversed:

1 coat	=	20m linen
10kg tea	=	20m linen
20kg coffee	=	20m linen

It is important to understand that this reversal is not undertaken by Marx for analytical convenience, he claims it has a counterpart in reality, writing:

This expanded form of value comes into actual existence for the first time when a particular product of labour, such as cattle, is no longer exceptionally, but habitually exchanged for various other

commodities...The general relative form of value imposes the character of universal equivalent on the linen, which is the commodity excluded, as equivalent, from the whole world of commodities (1990; 158).

This reversal has the effect of overcoming the insufficiencies of the (previous) total or expanded form.

- i) The expression of value is complete because one commodity is now *the* equivalent, a position it does not share with any other commodity.
- ii) All commodities can, simultaneously, have their relative value expressed via *the* equivalent.
- iii) When considering a commodity in the equivalent form, it is the material dimension that is brought into focus, to be more precise, it is the socially recognised bodily shape that is brought into focus. There is now only one equivalent, commodity in which to express the relative value of an endless chain of different commodities.

Because an endless chain of commodities are now expressed in the physical body of one equivalent, (i.e. linen) the differences constituted by the different commodities in this chain are subordinated to the value form. In the use value form, all commodities are different, in the value form, all commodities are identical; they are magnitudes of the universal equivalent. But why stop with coats, tea and coffee? The list can be expanded indefinitely:

1 coat		
10kg tea		
20 kg coffee		
50 kg corn	=	20m linen
100mg gold		
1 tonne iron		
x commodity A....		

One commodity now stands outside the series of other commodities. This one commodity, (linen) is no longer a *particular* equivalent, it is now a *universal* equivalent.

Unlike the previous stages, there are no limitations in the general form that requires the methodological shift to a richer set of categories. The shift to the money form is made on the basis of social and historical reality.

iv) Money form of value

The universal equivalent form is a form of value *per se*, the universal shape of value. Whilst it is obvious that linen is not the actual money commodity, the utility of using it as the universal equivalent is that it demonstrates that, whatever else money might be, it is actually a commodity. The final step to the actual money form is a straightforward swap between linen and gold. This is not merely an analytical convenience, a suitable choice of numeraire; gold historically became the money commodity via social custom.

1 coat		
10kg tea		
20 kg coffee		
50 kg corn	=	100mg gold
20m linen		
1 tonne iron		
x commodity A....		

Peculiar property of the money commodity

At the end of section three I noted whilst a commodity needs to adopt the value form, it cannot do so because an 'ordinary' commodity cannot become a *universal* equivalent. Better put, an 'ordinary' commodity cannot double into a unity of particular and universal. I then re-stated Marx's question:

How can ICP labour time reflected in a particular commodity represent SAU labour time?

Whilst the short answer was 'When one particular commodity ceases to be an 'ordinary' commodity and becomes money', the more in-depth answer turns on one peculiar property of the commodity that becomes the universal equivalent.

The commodity that becomes the universal equivalent has a peculiar property that no 'ordinary' commodity possesses: its *bodily shape* is immediately recognised as the *value shape*, or *shape of value*. By counting as the shape of value in which the relative value of all other commodities are expressed, the bodily shape of the universal equivalent is immediately its perfect form. Unlike the series of other commodities, the universal equivalent commodity does not need to dispose of its bodily shape, because it expresses value "just as it is in everyday life" (Marx 1990; 149).

At this point, however, one encounters a problem. On the one hand, Marx writes things like "the natural form [or bodily shape in my terminology] of the commodity becomes the form of appearance of its opposite, value". On the other hand, he also writes things like "**use value** becomes the form of appearance of its opposite, namely value (ibid; 148 emphasis added). This ambiguity generates the following absurdity. One use value of gold is that it fills teeth. To claim that the use value of a commodity is that it becomes the form of appearance of value, appears to translate into the claim that filling teeth is the form of appearance of value.²³

This absurdity comes, in general, from not thinking thoroughly about the metaphysical subtleties of the commodity, and more specifically, from not thinking through the relation between material and social categories that in part constitute the use value form. Here my triadic conception of the commodity is helpful - although nothing need be said about the value form here. This triadic conception revealed that a commodity doubles into a unity of bodily shape

and social forms thereby allowing it to be referred to as adopting a ***socially recognised bodily shape***. Consider this carefully using the example of gold.

- ◇ Because the uses of gold are, at least in part, socially constructed, gold has many uses. It might, for example, be used as a fashion item, as a work of art or, significantly, as money.
- ◇ Moreover, gold might adopt multiple roles simultaneously. It might, for example, be used to fill teeth *and* be used as a fashion item, *and* be used as money. In each of these roles, certain aspects of its bodily shape are brought into focus, whilst others are abstracted from - and one needs to be clear exactly which aspects are in focus in a specific context.

The absurdity noted above can now be side-stepped. A commodity, because it is, in part, socially constructed, does not have one unique use. To claim that the use value of a commodity is that it becomes the form of appearance of value, need not, therefore, translate into the claim that filling teeth is the form of appearance of value. As tooth-filling material, the role played by gold involves those aspects of its bodily shape useful for dentistry. As universal equivalent, in complete contrast, the role played by gold does not involve those aspects of its bodily shape relevant for dentistry. Rather, these aspects are abstracted from, and other aspects are brought into focus. As universal equivalent, the role played by gold involves those aspects of its bodily shape relevant for expressing or reflecting value. The usefulness of gold is that its immediate bodily shape becomes the mirror in which the value of all other commodities is expressed or reflected. And it possesses this same use value for everybody.²⁴

Marx puts it as follows:

The universal equivalent...has the same use value for everybody - that of being the carrier of exchange value. Thus the contradiction inherent in the commodity, namely that of being a particular use value and simultaneously universal equivalent, and hence a use

value for everybody...has been solved in the case of this one commodity (1976; 48).

Unlike an 'ordinary' commodity, the universal equivalent is both universal and particular. It is universal because it is an equivalent and it can, therefore, take the place of any commodity. It is particular since it is a commodity itself and therefore has use value, value and exchange value forms. Its particular role as use value enables it to perform its general role as universal equivalent. The ICP labour time reflected in a particular commodity can, therefore, represent SAU labour time, when one particular commodity ceases to be an 'ordinary' commodity and becomes money'.

Resume

Part two explained how the labouring activity of atomised, isolated, individual producers is *indirectly* co-ordinated via the systematic exchange of their commodities. This requires the systematic evaluation of very different commodities, that is, the assignment of appropriate value magnitudes or exchange values, which in turn requires commensurability. Whilst SAU labour has the potential to render incommensurable commodities commensurable SAU cannot manifest itself as itself - with the following consequences: the systematic evaluation of commodities cannot occur; the systematic exchange of commodities cannot occur; and labouring activity cannot be co-ordinated. Herein lies the fundamental contradiction of the capitalist system. Labouring activity *cannot* be co-ordinated in the form in which it is actually performed (i.e. ICP). Labouring activity *can* be co-ordinated if it adopts the form of SAU, but it cannot adopt this form. Part three shows how the contradiction contained in labouring activity becomes converted into a contradiction in the commodity, that is, between the commodity's particular (use value) and universal (value) forms. Whilst an 'ordinary' commodity can become a *particular* equivalent, it cannot become a *universal* equivalent. Part four shows how the contradiction contained in the commodity is resolved when one particular commodity becomes simultaneously a commodity and money.

And with money, we return to the start, only now, with the contradictions resolved.²⁵ Labouring activity now has a form in which to manifest itself - the universal equivalent.²⁶ With this, the systematic evaluation of commodities can now occur; the systematic exchange of commodities can now occur; and labouring activity can be co-ordinated. The fundamental contradiction of the capitalist system is resolved via money.²⁷

Conclusion

Arguing, as I have, that money is not only a commodity, but that for social and historic reasons, money is gold, invites two interpretations.

The first interpretation accepts the observation that the contemporary capitalist system is dominated by credit, *fiat*, electronic, and various other forms of non-commodity money, and, therefore, rejects the argument that money is a commodity, on the grounds that this argument flies in the face of reality.

The second interpretation appears paradoxical. It accepts the above observation about the domination of non-commodity money whilst at the same time it accepts the argument that money is a commodity. The paradox is resolved via the following (highly disturbing) question. If the analysis set out here is correct and money is a commodity, and if, furthermore, the contemporary capitalist system has abandoned commodity money, then one must at least consider the possibility that the system no longer has a universal equivalent. In other words, whilst the system still uses something called money, something that appears to be money, this something might not really be money at all. Appearance might be deceptive.

This second interpretation invites one not to treat Marx's theory of (commodity) money as a remnant of the nineteenth century, but to use it for an interrogation of the nature of contemporary capitalism. It invites questions like the following: What forces have encouraged nation states to abandon commodity money (the gold standard and convertibility) when the result meant abandoning the universal equivalent? If abandoning the universal equivalent, means

abandoning the value form, what kind of capitalist system are we now experiencing? Does the abandonment of money require a more conscious administration of labouring activity and its products? Does the abandonment of money explain the emergence of artificial money such as the euro? And so on.

Interesting as these questions are, it was never the intention of this chapter to answer them. Rather, the intention was to allow them to be asked by re-visiting the Marxist theory of (commodity) money. Some of these questions will, however, be taken up in the following chapter by Peter Kennedy.

Acknowledgements

I wish to thank Peter Kennedy and Mike Williams for comments on various drafts of this chapter. Whilst Mike and I are representatives of two (Marxist) schools of thought debating the nature of money, I hope this chapter goes some way to clarifying the argument of one of the schools.

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¹ This means I reject the widely held notion that money can be understood through a two-stage analytical approach. First a fictitious barter economy is postulated wherein commodities are exchanged in the absence of money. Second, money is explained by its ability to overcome certain difficulties that arise from this exchange - e.g. double coincidence of wants, or problems associated with uncertainty. This approach fails to understand that "at the same rate...as the transformation of the products of labour into commodities is accomplished, one particular commodity is transformed into money" (Marx

Capital; 181). In other words, as soon as the commodity emerges, so too, and necessarily so, does money.

² On the deductive method, see Lawson (1997)

³ Whilst the distinction between the analytical method and the method of systematic presentation used, arguably, by Marx, is not always put in these terms, the point may be grasped by recalling Marx's criticisms of the classical economists. Marx, for example, criticises Ricardo for deploying the (general) category of labour then proceeding, deductively, to derive various logical conclusions. Marx by contrast, unpacks the term labour into a variety of forms by positing and subsequently deriving them. Marx, thereby, arrives at socially necessary abstract labour, he does not merely deploy it at the outset. Cf. Ilyenkov (1982); Mosely and Campbell (1997); Murray (1988); Pilling (1980); Sayer (1983); Wilson (1991) and Zeleny (1980).

⁴ On the relation between the logic and history of a dialectically evolving system such as that presented here on money, (i.e. the relation between epistemology and ontology) see Carling (1986; 55-8) and Smith (1990; chapter 5, especially pp94-7).

⁵ The following argument is elaborated upon at length in Rubin's (1990) classic book, especially the first four chapters.

⁶ Note that it is a specifically capitalist system that, from here on, I presuppose. Note also that there is far more to commodity exchange than can be elaborated at this (high) level of abstraction. I am abstracting here from the myriad of social structures and institutions (e.g. rules governing property rights) without which commodity exchange could not occur. Commodity exchange is not, in other words, a disembedded 'economic' phenomena.

⁷For ease of exposition, I take the unit of production to be the individual producer. Nothing is altered (at this level of abstraction anyway) when these individuals are combined in a firm.

⁸Strictly speaking, one should write of the assignment of appropriate money prices. But since money has not yet been introduced, only posited, this cannot be done. I remind the reader of the highlighted section in part 1.

⁹Whilst the nature of value in economic theory is a complex issue, it cannot be discussed here. In what follows, I hope to clarify, if only a little, some of the issues involved. Let me, however, dismiss one claim about commensurability. It is often supposed that because commodities are evaluated in terms of money, it is money itself that renders commodities commensurable. This is a mistake. As Meikle (1995; 22-3) puts matters, a “measure does not create the property which it measures. Measures of length do not create spatial extension”. (Cf Fleetwood 1997; 731-8).

¹⁰ “In commodity exchange these individual labours are not mere fractions at the start; they become fractions of the total labour of society only insofar as their universal character achieves practical truth in the value relations of the products entering into commodity exchange...They become universal labours of society only through equating themselves to each other through the exchange of products as values” (Arthur 1979; 99).

¹¹This is, in many ways, analogous to the way in which extension in space abstracts from the concrete particularity of diverse (extended) objects. Extension in space renders incommensurable objects like bricks and paving stones, commensurable, and because of this, they can be measured in meters. The measure does not create the commensurability, the property of being extended in space does.

¹² Whilst one is not usually conscious of this, one becomes conscious of it the moment the commodity fails to perform as it should and one questions the workmanship - i.e. the quality of the individual, concrete and particular labour.

¹³ Even though ICP labour is measurable it is incommensurable and hence cannot be the 'substance' of value.

¹⁴ An internal relation is one where each of the relata is what it is, in virtue of the others. An internal relation exists (e.g.) between a worker and capitalist or husband and wife, but not between a postman and a barking dog.

¹⁵ Marx writes of the commodity's "plain, homely, natural form" and differentiates between its "natural form and value form". That said, he also notes how commodities "only have the form of commodities in so far as they possess a double form" (1990; 138). In a highly insightful article, Carling takes up the position I think is incorrect, arguing that use values "belong to Marx's material as opposed to social vocabulary". A few sentences later, however, he writes "use values entering these relations [i.e. exchange] become commodities" (1986; 59) which is more inkeeping with the position I develop here.

¹⁶ This material entity could be a service such as a clean floor. I stick with material entities and eventually commodities instead of services for ease of exposition.

¹⁷ If I spend a day nailing rough lumps of wood together in a totally incoherent manner then claim I have made a coffee table, what can be made of my claim? Actually, it is not for me to judge the usefulness of any entity I produce, but the buyer. And if judgement about the value in use of an entity must be conferred by society, then this value in use must be a social category - or more accurately, it must be a material category with social forms.

¹⁸ Lest one take this to imply that commodities are exchanged in terms of value, let me be clear. Commodities only exchange for money prices. My position is summed up by Mohun who writes: "Within this framework, the analysis of value as it exists in the commodity form, and value as it exists in the price-form as a sum of money, and the relation between the two, cannot

be accomplished without a modern Marxist account of money (and its derivative forms of credit) wherein *money* represents *labour-time*. In this respect, the value debate has barely begun” (1994; 226-7). For the reasons I discussed in the note on method above, money is always posited, but because it is not yet derived I cannot actually discuss it and so remain with the more abstract category value. Again I remind the reader of the highlighted section in part 1.

¹⁹ As Marx (1990; 144) puts it: “The natural form of commodity B becomes the value-form of commodity A, in other words, the physical body of commodity B becomes the mirror for the value of commodity A”. It is true, as Mike Williams pointed out to me, the terms natural measure, value form, and the (metaphoric) mirror are not always clearly differentiated. My own interpretation is this. A commodity adopts a value form. If this commodity comes to be the equivalent commodity, then as well as retaining the value form, its bodily shape becomes the natural measure in which the relative value of all other commodities is expressed. Metaphorically speaking, the bodily shape of the equivalent commodity is like the bodily shape of a mirror and the value of the relative commodity is like the reflected image.

²⁰ For an excellent elaboration of the method employed by Marx, see Smith (1990) especially chapter 5.

²¹ Note it is illegitimate to place an “=” sign between two *different* entities, and use it to mean ‘equals’ in a mathematical sense, because the entities are incommensurable. The “=” sign ought to be read as meaning ‘is worth’. Even here problems emerge as this implies barter which, as footnote 1 made clear, Marx thinks already presupposes money. The problem might be the recurrent methodological one that I noted in part one and mentioned in the previous footnote. To avoid the implication that Marx is using a two stage analytical approach, I suggest the following interpretation. 20m linen is worth 1 coat because they both sell (systematically) at similar money prices. Marx then

asks a transcendental question: 'What properties must money possess that allow it to facilitate this transaction?' Marx, then, posits money at the outset.

²²With the total or expanded form of value, the idea that exchange value is established via the subjective preferences of the parties in each transaction is exposed as a fiction. It could be accidental if 20m linen exchange for 1 coat, or for 10kg tea, or for 20kg coffee, and so on. If, however: 20m linen exchange for 1 coat ; 1 coat exchanges for 10kg tea; 10kg tea exchanges for 20kg coffee; and 1 coat exchanges for 20 kg coffee, and so on, can one really expect this to be mere accident? It would be quite remarkable if all these diverse exchanges between unconnected agents with their own subjective preferences resulted in a consistent series of exchange values. As Marx puts it: "The accidental relation between the two individual commodity owners disappears. It becomes plain that it is not the exchange of commodities which regulates the magnitude of their values, but rather the reverse, the magnitude of the value of commodities which regulates the proportion in which they exchange" (1990; 156). This observation has significance for money's role as a *measure* of value. It is only because money is a commodity and, thereby, evaluated in the same way as all other commodities that the exchange ratios between commodities, *mediated via money*, can be systematically established. If 20kg of tea and 10 kg of coffee are equal in value, and both are expressed (say) as x mg gold, then the socially necessary (i.e. market mediated) abstract labour expended in the production of 20 kg of tea, 10 kg of coffee and x mg of gold are similar. Mohun (1994; 215) puts the matter simply: "The only way in which units of labour-time can be commensurated as sums of money is if a unit of money itself represents labour-time". It is, I feel, incumbent upon those who argue money is not a commodity but a signifier, sign or symbol, to explain why both 20kg of tea and 10kg of coffee are systematically (i.e. non-accidentally) worth x units of this symbolic money, and not (say) y units.

²³ Many thanks to my colleague Mike Williams and his ubiquitous 'red pen' for pointing out this absurdity.

²⁴ This might seem an odd thing to say about use value, given that use value is idiosyncratic and particular. The point, however, is that the universal equivalent allows everyone to ascertain the value of commodities, just like a hammer allows everyone to knock in nails.

²⁵ The contradictions have been resolved only in terms of this chapter. Strictly speaking, the contradictions are converted into a contradiction between the deployment of labouring activity for the purpose of increasing money capital (M-C-M') and for the purpose of satisfying human need.

²⁶ Hence Ingham (1998; 105) in a detailed study of money as a social relation, is not quite correct to say that Marx "was primarily concerned with showing that money was a 'mask' (or 'veil') over the underlying 'real' social relations". Ingham comes closer to Marx in a footnote where he writes of the "social relations that...appear as monetary relations" (*ibid*; 118). Money does not mask real social relations (i.e. relations between isolated producers), it makes these relations possible.

²⁷ Diane Elson once re-named Marx's labour theory of value as the value theory of labour. I would go one step further and re-name it the monetary theory of labour co-ordination.