Chapter Two: The Process of Exchange

I The purpose of chapter 2[1]

What is the function of chapter 2? In chapter 1 we saw that:

> A commodity is a use-value or object of utility, and a 'value'. It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This form of manifestation is exchange-value, and the commodity *never* has this form when looked at in isolation, but only when it is in a value-relation or exchange relation with a second commodity of a different kind.[2]

After having examined use-value, and then exchange-value, we now need to examine the unity of the commodity as whole; but to do this we need to look beyond the individual commodity, and see it in exchange. In the first edition of *Capital*, at the end of what is our chapter 1, Marx, explaining this, wrote:

> The commodity is immediate unity of use-value and exchange-value, i.e., of two opposite moments. It is, therefore, an immediate contradiction. This contradiction must develop as soon as the commodity is not, as it has been so far, analytically considered once under the angle of use-value, once under the angle of exchange-value, but as soon as it is placed as a whole into an actual relation with other commodities. The actual relation of commodities with each other, however, is their exchange process.[3]

The discussion in section 3 of chapter 1 derived the logical necessity of money under commodity-production as the 'necessary form of appearance' of the abstract labour contained in commodities; in chapter 2, by examining commodities in exchange, we will see the appearance of money within of the actual process of circulation.[4]

II A pre-requisite of commodity exchange

Marx begins by identifying one essential pre-requisite of commodity exchange: private property. Commodity exchange requires a basic norm of private property, 'whether as part of a developed legal system or not', 'whose form is the contract.' But what does this norm entail? That the commodities' guardians must place themselves in relation to themselves in relation to one another as persons whose will resides in those objects. [...]'[5]

There are a number of points arising from the norm of private property that are worth emphasising. First, although it appears as if the principal function of private property is the regulation of the relations between people and things, what is really being regulated is the relations between people and people; these relations are moreover regulated by placing *limits* on them. Second, people are here defined in relation to each other as a function of their existence as owners of property: it seems to be the existence of the property that regulates the relations between people, not the other way round. As a consequence, 'the content of this juridical relation [...] is itself determined by the economic relation.'[6]

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[1] Where I insert my own subheads they appear, as here, in sans serif type.

[2] Karl Marx, *Capital* vol. 1 (Harmondsworth, 1990) [hereafter *C*.], p. 152.

[3] 'Economic Manuscripts: Critique of Political Economy. The Commodity', <http://www.marxists.org/archive/marx/works/1859/critique-pol-economy/ch01.htm>.

[4] Fred Moseley: 'One of the main points of Chapter 2 is a critique of the "fetishism of money," according to which gold appears to be money because of its own intrinsic nature, rather than because of the social relations between commodities, which require that all other commodities express their value in gold.' 'Money and Totality: Marx's Logic in Volume I of *Capital*', <http://www.mtholyoke.edu/~fmoseley/working%20papers/MONEYTOT.pdf >, p. 5.

[5] *C*., p. 178.

[6] *C*,. p. 178.

III The immanent contradictions of commodity exchange

Marx goes on to examine the contradictions immanent in commodity exchange, and how these contradictions find their resolution. This resolution will be money.

i) contradiction between the commodity and its owner

Within the relations amongst themselves defined above, the owners of commodities bring their goods to market. The motivation of the commodity owner is the realisation of her commodity as a value in order to obtain use-value. She sees, is confronted by, only other use-values, more or less useful to her. But what does the commodity 'see'? Use-value does not interest it. It sees only fellow *values*, with which it compares itself according to the quantity of socially necessary labour-time expended in their production. This is an evident contradiction.

ii) the realisation of the commodity as a use-value depends on its realisation as a value, and vice versa

For the commodity owner, her commodity has no use-value – if it did she would not be seeking to exchange it. For her, her commodity is simply a value to be realised. But all the other commodity-owners are in the same situation. Thus, for all commodities to be realised as use-values they must first be exchanged, they must be realised as values. But to count as value, the labour in them must be useful to others, must find its own 'fit' in the division of labour. Thus, to be realised as values, the commodities first have to have been realised as use-values. This is another contradiction.[7]

iii) the simultaneously individual and social needs of the commodity-owner

For our commodity-owner, her primary interest is – by means of realising the value of her commodity – to find use-values that satisfy her own particular desires. Her needs are thus individual, not social. But to do this she must realise her commodity as a value: she has no interest in doing this in how commodity can fulfil someone else's needs, simply that it does. From her point of view, therefore, exchange is now part of a general social process. Her interests are thus both purely individual and purely social *at the same time*. And this is true for all the commodity producers. We have encountered another contradiction inherent in commodity exchange.

IV The source of the contradictions, and their resolution

For our commodity-owner, her particular commodity stands as the universal equivalent against which all other commodities compare themselves as values. But every other commodity-owner finds herself in the same situation. There is therefore no *one* universal equivalent against which commodities can measure themselves as values. 'Therefore they [...] do not confront each other as commodities, but as products, or use-values only.'

How does this set of contradictions find its resolution? In short, through the emergence of a *universal equivalent*, a *money-form*.

'But only the action of society can turn a particular commodity into the universal equivalent', 'through the social action of all the other commodities.'[8] 'Money necessarily crystallises out of the process of exchange, in which

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[7] Hans Ehrbar (in his annotated version of *Capital*, at <http://www.econ.utah.edu/ehrbar/akmc.pdf>): '[T]he selection of the use-values by the commodity consumer relies on the realization of the values they have produced, but this realization already presupposes the selection of use-values by other consumers, and so on ad infinitum.'

[8] *C.*, p. 180.

products of labour are *in fact* equated with each other [...].'[9] The act of the exchange of products, not the analysis of an already-existing commodity-form, prompts the emergence of money.

As the 'historical broadening and deepening' of exchange develops so the latent opposition between use-value and exchange-value within the commodity develops openly.[10] The form this development takes is the differentiation of commodities into commodities and money.

V Simple commodity exchange and the transition to commodity *exchange*

Simple commodity exchange (barter) takes the form of x use-value $A = y$ use-value B. The use-values are not commodities, and only *become* so through *exchange*.[11] Since all things in general are external to human beings, and are therefore, at least in theory, alienable, what is necessary for exchange (i.e. mutual/reciprocal alienation) to take place, in addition to the fact that the products in question have ceased to serve as use-values for heir producers, is the agreement amongst human beings to treat each other as the private owners of alienable things. This relationship of 'reciprocal isolation and foreignness' does not exist in 'primitive' communities;[12] simple commodity exchange thus tends to occur at the boundaries of communities. But, 'by reaction',[13] commodity production develops within communities, and, over time, 'at least some must be produced intentionally for the purpose of exchange.' But at first, the quantitative exchange relation is established only by chance. As exchange develops, so does the distinction between use-value and exchange-value. Increasingly, the quantitative proportions of exchange become dependent on factors of production, and their values fixed by custom.

At first, commodities do not acquire a value-form distinct from their use-values. This necessity develops with the increase in number and range of commodities produced *for* exchange: the need for an independent value-form, and the solution to this, develop simultaneously.

At first, the form of the universal equivalent comes and goes in accordance with the nature of the social contacts that call it into existence. But as the money-form crystallises out, it attaches itself either to the most important articles of external trade, or to the most important articles of indigenous wealth. Typical is cattle; nomadic peoples are the first to develop the money-form, because their mode of life brings them into contact with other communities, and because their possessions are in moveable, therefore alienable, form. People (i.e. slaves) also play the role of early money.

In function of the extension in number, variety and social and geographical extent of commodity exchange, the money-form becomes fixed on commodities naturally suited to the function of universal equivalent – the precious metals. Gold and silver are naturally materials whose every sample is of a uniform quality, and which can be combined and redivided at will. The money-commodity acquires a double use-value: alongside its 'particular' use-vale, it acquires a 'formal' one in virtue of its social function.

VI Misconceptions about money

i) the value of money is imaginary

The first misconception that Marx deals with is that money does not have a value in itself, that its value is the result of social agreement. The money-form is 'the reflection thrown upon a single commodity by the relations between all other commodities', such that 'the process of exchange gives to the commodity which it has

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[9] *C.*, p. 181 (my emphasis).

[10] Marx here follows the argument he developed in *C.*, pp. 160-1.

[11] It is significant that Marx allows that products not produced *for* exchange, and which are thus *not* commodities, can *become* commodities if they *are* exchanged.

[12] *C.*, p. 182.

[13] Marx does not expand this point.

converted into money not its value but its specific value-form.'[14] What is social about money-commodity is thus *not* its value but *that* it serves as money.

ii) money is merely a symbol

It is true that certain functions of money[15] can be fulfilled by symbols, but, precisely because the money-commodity is a commodity, this does not mean that money itself is a symbol. If money *is* a symbol, then it is so only in the sense that *every* commodity, being the material shell of the labour expended on it, is a symbol.

VII The value of money

The value of money is determined by the labour socially necessary for its production. But the value of a commodity can only be *expressed* relatively, in other commodities. Thus the value of money is expressed in the quantities of commodities for which it can be exchanged; in other words, once money enters into circulation its value is already given.

VIII The fetishistic character of money

In the simple value relation x Commodity $A = y$ Commodity B, commodity B, the equivalent form, appears to be the equivalent independently of this relation, as a natural property. 'What appears to happen is not that a particular commodity becomes money because all other commodities express their values in it, but, on the contrary, that all other commodities universally express their values in a particular commodity because it is money.'[16] It thus appears as if commodities find the measure of their value not in a commodity that *becomes* money, but in a commodity that already *is* money. 'The movement through which this process has been mediated vanishes in its own result, leaving no trace behind.'[17]

The magic of money is simply this. But henceforward people are related to one another in purely atomistic way. 'Their own relations of production [...] assume a material shape which is independent of their control and their conscious individual action.'[18]

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[14] *C.*, pp. 184-5.

[15] The functions of money are dealt with in the next chapter.

[16] *C.*, p. 187.

[17] *C.*, p. 187.

[18] *C.*, p. 187.