Chapter Three: Money, or the Circulation of Commodities

I  The purpose of chapter 3

Chapter 3, by looking at commodities in circulation, i.e. commodities confronting other commodities in repeated cycles of exchange, essentially looks at the functions of money.

To follow Marx’s argument, it is necessary to make a general point first. In the circulation of commodities, money (here in the form of gold) performs two functions (or, perhaps, money is a complex of two different things): as a measure of value, and as a standard of prices. In the former role, which is categorically fundamental, the exchange-value of all commodities is expressed in terms of a definite quantity of gold; in the second, a necessary if categorically trivial function, the need arises to measure finite quantities gold in its function as measure of value. In the first function, gold functions as exchange-value, in that to operate as a measure of value it must too be a product of labour; in the second, gold functions as use-value, in function of its intrinsic properties.

This chapter can be subdivided into three parts: first, we shall look at money itself, through its functions; second, we shall look at money’s role in the circulation of commodities; and finally we shall look at some of the forms that accrue to money in the circulation process.

II  The functions of money

1  The measure of values

(a) Money as the measure of the commensurability of commodities in exchange

Now, to follow Marx’s reasoning in this chapter, it will be useful to recall the simple equation of value that we saw in Chapter 1:

\[ x \text{ commodity } A = y \text{ commodity } B \]

and to recall that what this equation fundamentally says is that \( y \) quantity of commodity \( B \) as a use-value is the expression of the value of \( x \) quantity of commodity \( A \). In other words, the value of commodity \( A \) can only be expressed as a quantity of another commodity in an exchange relation. A number of important conclusions follow once we substitute for commodity \( B \) the universal equivalent commodity, the commodity which, through this function, comes to act as money.

The first is that money (and Marx’s assumption in this chapter is that the money commodity is gold), contrary to popular assumption, does not make commodities commensurable, and hence exchangeable: they are, insofar as they exist as objectified human labour, so anyway. It is the very commensurability of commodities that allows one of them to play the role of universal equivalent, i.e. that allows one commodity to exist as money.

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

2 ‘[...] Chapter 3 is about money. More precisely, Chapter 3 is about the main functions that money performs as part of the circulation of commodities: measure of value (the objective social representation of the abstract labor contained in commodities), means of circulation (the means by which commodity-owners exchange their commodities for other commodities), hoards, means of payments for debts, and “world money” (i.e. international reserves).’ Fred Moseley, ‘Money and Totality: Marx’s Logic in Volume I of Capital’, <http://www.mtholyoke.edu/~fmoseley/working%20papers/MONEYTOT.pdf >, p. 5.

3 Marx notes why it is gold (and also silver) that is so universally blessed with the role of money: ‘Only a material whose every sample possesses the same uniform quality can be an adequate form of appearance of value [...]. On the other hand, since the difference between the magnitudes of value is purely quantitative, the money commodity must be capable of purely quantitative differentiation, it must therefore be divisible at will, and it must also be possible to assemble it again from its component parts. Gold and silver possess these properties by nature.’ Karl Marx, Capital vol. 1 (Harmondsworth, 1990) [hereafter C.], p. 184.
Commodification is not a function of money; money is a function of commodification.

The second is this. Since the value of a commodity can only be expressed as a quantity of another commodity in an exchange relation it follows that money is not the direct measure of labour time (i.e. value), but the measure of the commensurability of commodities in general through exchange. To say that the equation $x$ commodity $A = y$ gold is the direct measure of labour time embodied by commodity $A$ would be to commit a tautological error, an error that arises from the failure to see that commodities cannot exist in abstract isolation, that a commodity can only be a commodity if it is produced within a social division of labour in order to be exchanged with other commodities. It is for this reason that Marx points out that the view that money cannot be the direct measure of labour-time results from ‘why private labour cannot be treated as its opposite, directly social labour.’

(b) Price

Nevertheless, to the extent that money does function as a ‘measure of value’ it only does so in that it takes on ‘the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time.’ And the money-form of a commodity – the expression of its value in gold – is its price. Put another way, the price of a commodity is its value expressed in a ‘socially valid manner’.

For Marx, price is ‘purely notional or ideal’. But what Marx is not saying here is that price is arbitrary. It is ‘ideal’ (‘ideelle’) in that it arises not from the natural properties of commodities, from their ‘palpable and real body forms’, but, as exchange-value itself, from the social interaction – or the necessity or possibility of social interaction – between commodities. It is ‘notional (‘vorgestellte’) (precisely ‘imagined’ but not ‘imaginary’) in that it is fixed without either the necessity for the existence of real gold or the prior social confrontation of concrete commodities in a real act of exchange (indeed, this latter phenomenon – that prices are fixed before, not after, sale – is clearly a necessary precondition for modern buying and selling).

That price is not arbitrary (imagined rather than imaginary) despite the absence of necessity for the presence of physical gold in the act of price-fixing – i.e. that price is dependent on both the value of the commodity in question and the value of the money commodity – is evidenced by what happens when more than one commodity serves as the general equivalent at the same time. Commodities have as many different prices as there are general equivalents; such a state of affairs proves unstable and prone to crisis, and historically what happens is that one commodity, normally gold, drives out the other equivalents.

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4 C., p. 188, n. See also Mandel’s remarks in the ‘Introduction’: ‘[...] the most important aspect of [...] [Marx’s] monetary theory is the qualitative one. [...] The fact that social labour, in a society based on generalised commodity production, is fragmented into many segments of private labour executed independently of each other leads [...] to the result that its social character can only be recognised post festum, through the sale of the commodity and depending on the amount of the equivalent it receives in this sale. The social character of the labour embedded in the commodity, therefore, can only appear as a thing outside the commodity – that is, money. The fact that relations between human beings appear under capitalism (generalised commodity production) as relations between things [...] should not, therefore, be understood in the sense that people under capitalism, being in the grip of false consciousness, have the illusion of being confronted with things when in reality they are confronted with specific social relations of production. It is also an objective necessity and compulsion. Under conditions of generalised commodity production, social labour cannot be immediately recognised other than through its exchange against money. [...] Money is the necessary materialisation of abstract social labour [...]’ C., pp. 74-5.

5 C., p. 189, my emphasis.

6 C., p. 190.

7 C., p. 190.

8 Historically most commonly when both gold and silver served as money – a phenomenon known as ‘bimetallism’.
(c) Money as the standard of prices

Once commodities have prices, once the values are expressed as a common commodity, the need arises to compare them. From the necessity for quantitative distinction, which follows the process of qualitative homogenisation, derives money’s second, and subsidiary, function: as a standard of prices. The origins of this are revealed by the fact that traditionally the names of the standard units of metallic currencies – Pound Sterling, for example – derive from previously existing weights (in turn dividable into aliquot parts) of the precious metals. Concrete prices tend thus not to be expressed in, say, \( x \) quantity gold, but in \( x \) Pounds Sterling. Over time, the meaning of the terms referring to the weight of the precious metals and to the monetary units diverge. Thus the monetary ‘pound’, indeed originally a pound weight of silver, and the pound of weight, are today different terms.

(d) The fetish-like character of money

There is a clear element of ‘fetishism’ here: fetishism in the sense that Marx discussed it in Chapter 1. The development of the technical function of money, its function as a standard of prices, finally obscures both its own origins and the fundamental function of money as a measure of value. That money’s technical function is a matter of pure convention, and that its fundamental function requires of the former universal validity, leads to the money standard of prices to be regulated by law (and also, parenthetically, to take on a national character), a process that in turn can only intensify money’s fetish-like nature.

(e) Value and price

Price, as we have seen, is the money name of the labour-time objectified in a commodity. But we are dealing here with ‘a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities.’\(^9\) Concrete labour performed only becomes social as a result of exchange, after, not before (as Mandel says, \textit{post festum}). We were at pains earlier to assert that price was ‘notional’, or ‘imagined’. As the notional expression of value it only finally realises itself in exchange. The asymmetry between price and value means that it is not guaranteed that a commodity will realise the price that conforms with its actual value. Without developing the point, Marx notes that the possibility that the ‘true’ price may not be realised is a feature of the somewhat ‘elastic’ relationship between price and value, and is not only intrinsic to the mechanism, but, insofar as it plays a functional role within it, is a virtue and not a defect.

Let us also note here that the disjuncture involved in the relation between price and value also leads to the phenomenon of prices being attached to things that have no value: uncultivated land, honour, conscience, virtue, and so on. As Marx remarks further on: ‘Since money does not reveal what has been transformed into it, everything, commodity or not, is convertible into money. Everything becomes saleable and purchasable.’\(^{10}\)

(f) Distinction between money’s function as a measure of values and its function as the means of circulation

So far, in this chapter, which has been the extension of the analysis laid out in Chapter 1, we have been looking principally at money as a measure of value, and as a standard of prices. We are about to pass on to look at money as the \textit{means of circulation}, in an exposition which will take as its starting point the considerations of Chapter 2. The final two paragraphs of this section (pp. 197-8) act as something of a bridge between these two segments of analysis.

Marx notes that for a price to be established it is only necessary ‘notional’ or ‘imaginary’ gold; but for a

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\(^9\) C., p. 196.

\(^{10}\) C., p. 229.
commodity to realise its mission as exchange-value it must be exchanged for real gold.

The price-form therefore implies both the exchangeability of commodities for money and the necessity of exchanges. On the other hand, gold serves as an ideal measure of value only because it has already established itself as the money commodity in the process of exchange.\textsuperscript{11}

What this rather dense formulation expresses is this:

1. That exchanging a commodity for money is possible; in other words, the only condition for receiving a commodity is that the purchaser has the money to buy it. This means

2. That exchange for money is now a necessity, because (a) it must be turned into money before it can be turned into other commodities; and (b) non-money commodities will no longer be acceptable to other commodities. But

3. the gold necessary to achieve the exchange, in which commodities express their value, is available because it is already in circulation.\textsuperscript{12}

We are now ready to pass from a consideration of money as the measure of value and standard of prices to its role in the circulation of commodities.

\section*{2 The Means of Circulation}

\subsection*{(a) The metamorphosis of commodities}

In Chapter 2 Marx depicted the exchange of commodities as embodying certain contradictions. Here he notes that ‘the further development of the commodity does not abolish these contradictions, but rather provides the form within which they have to move.’\textsuperscript{13} The task that Marx sets himself here is an analysis of what he calls the ‘metamorphoses’ of commodities in circulation. This concept is so important that it is worth spelling out in some detail what it is that Marx here means.

In everyday life, we are accustomed to dealing with commodities as use-values, (normally) as physical objects with tangible useful physical properties. If a use-value is sold, then, simply, for a payment of money, it passes into the possession of another, and, more often than not, physically changes position as a consequence: the old owner of the article is left with the money while its new owner takes her newly-bought use-value home with her. But here we are not principally concerned with the commodity considered as a use-value, but as a value, and a commodity’s value is not determined by those properties that make it a use-value, but by the quantity of socially necessary labour-time expended in its production. Now, instead of thinking of our commodity as a use-value, as a physical object with a set of tangibly useful properties, we shall think of it as a value, as a bundle of abstract human labour. What happens to this bundle of labour when it is sold? Before the sale, the bundle of labour exists in the form of a commodity, of use-value, in the physical form, let us imagine, of a television set. I sell my television set to my next-door neighbour, and, as we have noted, I am left with the money she has given me, and she takes the television home with her. This is the sale if we think of the television as a use-value. But we need to think of the television as value, and strip away all of its use-value, all of its ‘television-ness’. Now, before the sale, I am the owner of value, a bundle of human labour-time. The existential \textit{form} of this labour-time is the television, true, but what I am here interested in is the labour, not the form. When I sell the television, although all the use-value passes from my possession into the possession of my neighbour, my value stays with me. But it

\begin{itemize}
\item \textsuperscript{11} C., p. 198.
\item \textsuperscript{12} See Marx’s comments in the 1859 \textit{Preface}: ‘Mankind thus inevitably sets itself only such tasks as it is able to solve, since closer examination will always show that the problem itself arises only when the material conditions for its solution are already present or at least in the course of formation.’ Karl Marx, ‘Preface to \textit{A Contribution to the Critique of Political Economy}, Early Writings (Harmondsworth, 1975), p. 426.
\item \textsuperscript{13} C., p. 198.
\end{itemize}
has now changed its form: rather than manifesting itself as a television, it now takes on the existential form of a sum of money. While the physical properties of television-ness have indeed changed hands, what has happened to my bundle of labour-time is that it has changed its form: it has undergone a metamorphosis.

Now, I want to use the money that I got for my television to buy, say, a settee. Again, if I am successful in doing this, a settee, a soft object useful for sitting on, passes from the possession of its owner into mine, while I part with my sum of money. But again, we need to see this exchange stripped of its use-value. My bundle of labour-time, manifesting itself in the form of a sum of money, metamorphosises into the form of a settee.

In the overall process, then, my original bundle of labour, my value, has undergone a two changes of form, a double metamorphosis: from television into money, and from money into settee. But underlying each of the three forms involved – television, money, settee – is a quantity of labour-time, a value. The television, money and settee are simply the three forms it has assumed.

It will be useful here to give Marx’s motivation for his procedure as it is laid out in the French edition of Capital, for it is clearer than that given in both the English and German editions:

The formal movement aspect of this movement [of circulation] is somewhat difficult to grasp, since each form change of one commodity is brought about through the exchange of two commodities. An example of such a form change is a commodity stripping off its useful form and putting on its money form. How does this happen? By its exchange with gold. A simple exchange of two commodities, if we view it as a tangible fact: but it is necessary to look more closely.14

When a commodity enters into exchange, and is confronted by gold, we have, clearly, on each side, a commodity: a unity of exchange-value and use-value. But on each side this unity represents itself in an inverse and opposite manner. The commodity presents itself as a use-value, its exchange-value expressed only notionally, by its price. On the other hand the gold presents itself in the form of its general exchangeability, as the concrete shape of value; its use-value only notionally expressed in the commodities which stand as its equivalents.

Marx illustrates what now happens through the use of the following example.

A linen-weaver takes 20 yards of linen, with the price of £2, to market. She sells the linen, and uses the £2 to buy a family Bible of the same price.

Looking at this everyday act through the prism of ‘metamorphoses’, we see that the linen, for the weaver a mere carrier of value, is ‘disembodied’ (of its concrete physical form) in exchange for gold, which in turn becomes the material shape of the value of the linen. This value is in turn re-embodied in the form of the use-value of the Bible.

Thus the weaver, in order to exchange the products of her own labour for the use-values she needs – a necessity within a developed division of labour – has to effect a double transaction, of sale and purchase, a dual set of metamorphoses for her original commodity, even if for her what counts in the end is only the exchange of one use-value for another.

The content of this process (what Marx calls the ‘metabolism of social labour’) expresses the movement $C-C$, the exchange of one commodity for another. The changes of form – the metamorphoses – necessary to bring this about, the transformation of the first commodity (the linen) into money, and the transformation of the money into the Bible, describe the movement $C-M-C$.

For the first step, $C-M$, to be successful, the commodity must be of proven utility within the overall social

14 ‘Ce côté morphologique du mouvement est un peu difficile à saisir, puisque tout changement de forme d’une marchandise s’effectue par l’échange de deux marchandises. Une marchandise dépouille, par exemple, sa forme usuelle pour revêtir sa forme monnaie. Comment cela arrive-t-il ? Par son échange avec l’or. Simple échange de deux marchandises, voilà le fait palpable; mais il faut y regarder de plus près.’
<http://www.marxists.org/francais/marx/works/1867/Capital-I/kmcapI-3-2.htm>
division of labour. ‘But the division of labour is an organisation of production which has grown up naturally, a
web which has been, and continues to be, woven behind the backs of the producers.’\textsuperscript{15} This state of affairs leads
to uncertainties in which the commodity is not guaranteed a buyer. Marx enumerates a number of possible
situations in which $C-M$ may not be successfully realised, amongst which we find:

- the commodity may be the product of a new type of labour, may be intended to fill a new need, or may
  arise out of a specialisation with an already existing branch of production, and may, as consequence, find a
  market not yet sufficiently ripe for it.
- the need for the commodity may already have been filled by other suppliers, in which case a surplus of
  social labour has been expended on it.

In these cases, of course, the commodity may end up being sold, but not for its price, the exponent of the
magnitude of its value.

- the commodity may have been produced under now out-of-date technical conditions, which results in the
  labour-time embodied in it being beyond that socially necessary.

Nevertheless, the case is that the very division of labour which turns producers into independent private
producers, which also makes the social process of production and the social relations between the producers
independent of their conscious intervention, at the same time forces them into a system of mutual material
dependence. Insofar as the division of labour forces the conversion of the product of labour into a commodity,
and thus necessarily its transformation into money, it also makes it a matter of relative chance whether this
transformation occurs at all, and even if it does occur without loss or accretion of the substance of value.

The division of labour converts the product of labour into a commodity, and thereby makes necessary its
conversion into money. At the same time, it makes it a matter of chance whether this transubstantiation
succeeds or not.\textsuperscript{16}

Let us note parenthetically here that the division of labour Marx refers to is that specific to commodity
production. Earlier, he made the following point:

The totality of heterogeneous use-values or physical commodities reflects a totality of similarly heterogeneous
forms of useful labour, which differ in order, genus, species and variety: in short, a social division of labour.
This division of labour is a necessary condition for commodity production, although the converse does not
hold; commodity production is not a necessary condition for the social division of labour. [...] Only the
products of mutually independent acts of labour, carried out in isolation, can confront each other as
commodities.\textsuperscript{17}

For the rest of the exposition, we are going to assume that the exchanges have been realised ‘successfully’, in
their ‘pure’ form.

When the weaver sells her linen, she has her commodity replaced by gold, and the buyer her gold replaced by
linen. Sale is \textit{not} barter: it is not a transaction involving two use-values, but the realisation of a commodity’s own
value in money. Direct barter – $C-C$ – is symmetrical; sale – $C-M$ – is not.

From the point of view of what happens to the money what is involved here is the realisation of its use-value.
But this single process, because of being asymmetrical, has two aspects: it is both $C-M$ and $M-C$ at the same
time, both sale and purchase. And for a commodity-owner to own the product of alien labour, it is necessary for
her to have already alienated the product of her own labour, for gold, which comes into her possession from
another, different, sale, from another $C-M$ (which is also again another $M-C$).

The sale of the linen is the starting point of a movement which leads to the purchase of the Bible, the first phase

\textsuperscript{15} C., p. 201.
\textsuperscript{16} C., p. 203.
\textsuperscript{17} C., p. 132.
of a cycle of $C\text{-}M\text{-}C$. But the purchase of the linen is also the concluding phase of a separate cycle, which began with the sale of another commodity (say, wheat), necessary to obtain the money with which to buy the linen. ‘The first metamorphosis of one commodity, its transformation from the commodity-form into money, is therefore invariably the second, and diametrically opposite, metamorphosis of some other commodity, the retransformation of the latter from money into a commodity.’\(^{18}\)

Marx makes the point that while a commodity-producer produces a single commodity she will have many needs: ‘Hence a sale leads to many purchases of different commodities. The concluding metamorphoses of a commodity thus constitutes an aggregate of the first metamorphoses of other commodities.’\(^{19}\)

Marx now summarises. The movement $C\text{-}M\text{-}C$ is intrinsically and necessarily linked with other similar movements: the complete metamorphosis of one commodity is also necessarily the second phase of the metamorphosis of another commodity and the first phase of the metamorphosis of a third. This whole process is what constitutes the circulation of commodities.

In a passage of fundamental importance Marx now contrasts the circulation of commodities as a whole with simple barter, and concludes that the two phenomena differ not only in form but also in essence:

The weaver has undoubtedly exchanged his linen for a Bible, his own commodity for someone else’s. But this phenomenon is only true for him. The Bible-pusher, who prefers a warming drink to cold sheets, had no intention of exchanging linen for his Bible; the weaver did not know that wheat had been exchanged for his linen. B’s commodity replaces that of A, but A and B [neither normally nor necessarily] mutually exchange their commodities. [...] We see here, on the one hand, how the exchange of commodities breaks through all the individual and local limitations of the direct exchange of products, and develops the metabolic process of human labour. On the other hand, there develops a whole network of social connections of natural origin, entirely beyond the control of the human agents. [...] The process of circulation, therefore, unlike the direct exchange of products, does not disappear from view once the use-values have changed places and changed hands. The money does not vanish when it finally drops out of the series of metamorphoses undergone by a commodity. [...] In the complete metamorphosis of the linen, for example, linen-money-Bible, the linen first falls out of circulation, and money steps into its place. Then the Bible falls out of circulation, and again money takes its place. When one commodity replaces another, the money commodity always sticks to the hands of some third person. Circulation sweats money from every pore.\(^{20}\)

Marx now restates his analysis of the circulation of commodities in the form of a refutation of Say’s Law.\(^{21}\) Marx concludes that the ‘identity of sale and purchase’, that every sale is a purchase and every purchase a sale, means that ‘the process, if it reaches fruition, constitutes a point of rest, an interval, long or short, in the life of the commodity. Since the first metamorphosis of a commodity is at once a sale and a purchase, this partial process is at the same time an independent process in itself.’ But why is this independent process only partial? Because it is asymmetrical. ‘The buyer has the commodity, the seller has the money, i.e. a commodity which remains in a form capable of circulating [...]’ But while ‘no-one can sell unless someone else purchases [...] no-one directly needs to purchase because he has just sold. [In this way] Circulation bursts through all the temporal, spatial and personal barriers imposed by the direct exchange of products, and it does this by splitting up the direct identity present in this case between the exchange of one’s own product and the acquisition of someone else’s into the antithetical segments of sale and purchase.\(^{22}\) Sale and purchase thus at the same time form a unity of opposites and a unity of opposites.

It is this precise fact that allows for the possibility of crisis: ‘There is an antithesis, immanent in the commodity,

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\(^{18}\) C., p. 205.

\(^{19}\) C., p. 206.

\(^{20}\) C., pp. 207-8.

\(^{21}\) Which states that ‘each seller brings his own buyer to market’, i.e. that sales and purchases from an equilibrium, a maxim which, amongst other things, denies, for example, the possibility of over-production.

\(^{22}\) C., pp. 208-9.
between private labour which must simultaneously manifest itself as directly social labour, and a particular concrete kind of labour which simultaneously counts as merely abstract universal labour, between Personifizierung der Sachen und Versachlichung der Personen [personification of things and objectification-reification of people]; [and] the antithetical phases of the metamorphosis of the commodity are the developed forms of motion of this immanent contradiction.²³

(b) The circulation of money

(i) The movement of money

Nevertheless, up till now, we have only looked at the circulation of commodities from one perspective, that of commodities themselves. We now need to consider the same process from the point of perspective of money. If the complete metamorphosis of a commodity – $C\rightarrow M\rightarrow C$ – forms a cycle,²⁴ the consequence of this is the exclusion of money from the cycle: to money is imparted a movement which, through ‘the constant and monotonous repetition of the same process’, takes the form of a constant removal from its starting point, a path followed from the hands of one commodity-owner to another.²⁵ This gives rise to misleading appearances. ‘The result of the circulation of commodities, namely the replacement of one commodity by another, appears not to have been mediated by its own change of form, but rather by money as means of circulation.’²⁶ And ‘although the movement of money is merely the expression of the circulation of commodities, the situation appears to be the reverse of this, namely the circulation of commodities appears to be the result of the movement of money.’²⁷

(ii) The quantity of money in circulation

Given that, over a given time and within a given sphere of circulation, i.e. in a given number of one-sided metamorphoses, simple sales on the one hand, simple purchases on the other, the quantity of the means of circulation necessary is only the sum of the prices of these commodities, since this money is only the real-life representation of the quantity of gold previously represented by the sum of these prices of these commodities in the imagination. But, given a constant value of commodities, prices vary in accordance with the value of gold (or whatever material serves as the general equivalent), rising as it falls, falling as it rises. This occurs as by virtue of gold’s function as a measure of value. (The failure to appreciate this led to the false conclusion that prices had risen because the discovery of fresh supplies of gold and silver in the seventeenth and eighteenth centuries increased the quantity of precious metals in circulation, rather than seeing that what was happening was that the rise in prices was taking place as a function of the fall in the value of the money commodity as it entered the sphere of circulation, and that the rise in the quantity of gold and silver in circulation was due to the increased quantity necessary because of the rise in prices.)

In what follows now we shall assume that the value of gold is constant.

The quantity of money in circulation will fluctuate according to fluctuations in prices (be these real changes in value or changes in market prices). If there occur, independently and separately, say 4 distinct partial

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²³ C., p. 209.
²⁴ In this and following chapters, Marx distinguishes between Kreislauf, which indicates a circular movement, and Bewegung, literally, and more uncomplicatedly, ‘movement’ (either displacement from one place to another, or motion, i.e. the state of being in such movement). As Kreislauf indicates the sequence of formal stages through which commodities (including money) pass in a movement which ends where it started, and thus suggests repetition, my preferred translation of the term is ‘cycle’.
²⁵ C., pp. 210-11.
²⁶ C., p. 211.
²⁷ C., pp. 211-12.
metamorphoses (sales or purchases) of 4 different commodities, each with the price, say, of £2, then obviously £8 must enter into circulation.

But if each of the metamorphoses forms a link in the same chain of C-M-C, like this:

\[ C^1 - £2 - C^2 - £2 - C^3 - £2 - C^4 - £2 \ldots \]

then only £2 enters into circulation, for the same quantity of money is turned over 4 times. This rate of turnover, the number of times a given quantity of money is turned over in sequence (i.e. in distinct metamorphoses taking place in temporal separation) in a given time period, is the velocity of the means of circulation. This gives us the following formula:

\[ \text{the quantity of money functioning as the circulating medium} = \frac{\text{the sum of prices of commodities}}{\text{number of times coins of the same denomination are turned over}} \]

(How often each coin is turned over is of course a matter of circumstance; what is being dealt with here is the average number of times that coins turn over.)

The velocity of money is a reflection of the rapidity with which sales and purchases occur, with which old commodities drop out of the system and are replaced by new ones, just as much as the circulation of money in general is a reflection of the circulation of commodities in general.

The total quantity of money functioning in a given period as the circulating medium is dependent on the one hand on the sum of the prices of the commodities in circulation and on the other on the rapidity of the antithetical movements of circulation. But the sum of prices depends on the quantity, and the price, of commodities. Thus the sum of prices to be realised, and the consequent quantity of money necessary, will vary with variations (either singular or combined) in prices, in the quantity of commodities in circulation, and the velocity of circulation of money, i.e. the rapidity of sales and purchases.

The law that the quantity of the circulating medium is dependent on the sum of the prices of commodities and its own average velocity can also be formulated like this: ‘given the sum of values of commodities, and the average rapidity of their metamorphoses, the quantity of money or of the material of money in circulation depends on its own value.’

The common fallacy that prices are determined by the quantity of the circulating medium is based in the end on the idea that commodities enter into circulation without a price, and money without a value, and is precisely that, a fallacy, which is based on the illusion that ‘it is, on the contrary, prices which are determined by the quantity of the circulating medium, and that the latter for its part depends on the amount of monetary material which happens to be present in the country.’

(iii) Coin. The symbol of value

Marx concludes this section of Chapter 3 by considering the development of currency. i.e. minted money (rather than ‘raw’ gold, silver, etc.).

From the function of gold as a standard of prices arises the necessity of coins, which are a means of providing gold in an accessible and verifiable form. Coining is as much a prerogative of the state as the fixing of the standard of prices is (indeed, ultimately the two tasks are inseparable).

(Let us just note here Marx’s comment without for the moment saying anything further on it: ‘The different national uniforms worn at home by gold and silver as coins, but taken off again when they appear on the world market [i.e. as bullion], demonstrate the separation between the internal or national spheres of commodity circulation and its universal sphere, the world market.’ We shall have cause to return to the relation between

28 C., pp. 219-20.
29 C., p. 220.
30 C., p. 222.
the ‘internal’ (national) and ‘universal’ (international) spheres.)

As soon as coins begin to circulate their metallic content and their functional content (operation) begin to diverge:

- demonetisation: coins inevitably wear down through use, and it becomes necessary to fix by law a minimum standard of acceptability for underweight coins;
- the technical difficulties of coining extremely small quantities of gold leads to the maintained use of copper and silver coins in certain sectors of circulation, which rapidly take on the form of mere tokens, governed by legal regulation;
- the final step: the appearance of effectively worthless paper tokens, which have a purely symbolic character.

But tokens in general, and paper money specifically, can only function as money, i.e. in replacement of gold, insofar as it really represents gold.

But while it evidently is possible for gold to be replaced by effectively worthless symbols of itself, why is it possible? Fundamentally, the answer to this lies in the multiple functions of money: as itself, as a measure of value (in which it functions in accordance with its own value) and in its role as means of circulation. ‘In this process which continually makes money pass from hand to hand, it only needs to lead a symbolic existence. Its functional existence so to speak absorbs its material existence. Since it is a transiently objectified reflection of the prices of commodities, it serves only as a symbol of itself, and can therefore be replaced by another symbol.’

The social validity of this is given by law, by the compulsion of the state.

3 ['Pure'] Money

Money, as we have seen, performs the double functions of measure of value and standard of prices. Any commodity which performs both of these functions is money; but, by being money, it also accrues to itself a number of other powers as a consequence. Marx concludes Chapter 3 by enumerating three of them, and alluding to a fourth.

(a) Hoarding

The cycle of sales and purchases, the continuous circular movement of the two antithetical and asymmetrical metamorphoses of commodities, appears in the form of an increasing turnover of money in circulation. But once the metamorphoses are interrupted, once sales are unsupported by subsequent purchases, money is precipitated out in the form of a hoard.

In the early stages of commodity production, surplus use-values are converted into petrified money; hoards of gold and silver themselves become symbols of wealth.

As commodity production develops, hoards develop at all points as a reserve for the commodity-producer while she makes her living, or for emergencies. Thus everybody (to some degree) must sell without buying (just as the producers of gold and silver themselves buy without selling).

Alongside this ‘natural’ tendency to hoard also develops the greed for gold. But this greed is less a psychological tendency (although it is this too) than an extreme manifestation of the contradictions of commodity production. Under more developed commodity production gold represents not simply luxury but all material wealth: gold gains its modern attractiveness precisely because of the attraction it exerts on all other things. Thus ‘social power becomes the private power of private persons. Ancient society [...] denounced it as tending to destroy the

31 C., p. 226.
economic and moral order. Modern society [...] greets gold as [...] the glittering incarnation of its innermost principle of life.\textsuperscript{32}

Nevertheless, the miser finds himself trapped by the contradictions commodity production imposes. No more gold can be drawn from circulation than commodities are thrown into it. The more she produces, the more she can sell; the less she can buy, the more she can hoard. But, once begun, hoarding is a labour without end, since the qualitative universality of gold is only matched by its quantitative limitness. For the miser, then, the watchwords are work, thrift and greed, without end.

Hoarding is not however an aberrative activity in a commodity-producing economy. Owing to the constant fluctuations in the extent and rapidity of commodity circulation, and in the prices of commodities, the quantity of money in circulation must be capable of expansion and contraction in order to meet these ebbs and flows. This requires an overall presence of gold and silver in quantities greater than that actually functioning as coin. Hoards thus act as something of a ‘reserve army’ of currency.

(b) Means of payment

In the ‘direct’ form of commodity circulation we have seen so far commodity and money had to be present at the same time and the same place. But this is not necessarily essential for commodity exchange. With the development of commodity production arise circumstances in which the alienation of the commodity and the realisation of its price become separated in time. Maybe, one type of commodity requires a longer, another shorter, time for its production. Maybe one is sold locally, another far away. Maybe, when the same people repeatedly carry out the same transactions, the synchronisation of money and commodity becomes unnecessarily bothersome. In other circumstances, the use of certain commodities is sold for a definite time period only (housing, for example). Only after the expiry of the lease does the buyer receive the use-value of the commodity. One of the more important commodities which is not paid for until after it has been fully delivered is of course labour-power.

In any case, what has happened here is that buying and paying have become separated. Money, because it is money, functions here specifically as a means of payment, rather than a means of purchase.

(This phenomenon, incidentally, is another reason why commodity-producers are compelled to build up hoards.)

Money here now acts as, first, a measure of value through the determination of the price of the commodity to be sold; second, as a notional means of purchase, in the form of a promise to pay, itself sufficient to cause the commodity to change hands.

The parallel between the function of money as means of payment, and its function as a hoard, is clear. The hoard appears when the process of commodity-metamorphosis stops short as the converted shape of the commodity is withdrawn from circulation. The means of payment does enter into circulation, but only after the commodity has left it. In both cases the universal exchange commodity really is functioning ‘purely’ as money.

It happens that the quantity of money as means of payment can be economised through the system of clearing-houses; but if the system of mutual cancellation of payments is disturbed, by whatever cause, then a money-crisis – a literal shortage of money – ensues.

When account is taken of money as means of payment, it becomes clear that the quantity of money in circulation no longer corresponds to the mass of commodities in circulation: money which represents commodities withdrawn from circulation may continue to circulate, while commodities circulate before their equivalent in money appears.

\textsuperscript{32} C., pp. 229-30.
The function of money as means of payment prompts the development of credit-money, in that certificates of debts owed for already purchased commodities circulate to pass on those debts to others. The development of credit-money in turn further pushes the development of money as means of payment.

In turn, the development of commodity production prompts the function of money as means of payment to enter into all spheres, i.e. beyond the mere circulation of commodities: rent, taxes, etc. become converted from payment-in-kind to payment in money. This in turn has a corroding effect on existing pre-commodity modes of production.

3.3 World Money

Marx here is extraordinarily terse; so terse, in fact, that it would be useful to amplify his comments with one of those of Hans Ehrbar (and here I am paraphrasing a little):

Although Marx does not say so explicitly, it is his understanding that the social metabolism formed by the division of labour takes place on a national scale. Accordingly, money acts as standard of value on a national scale, from which function arise its others as means of circulation and the independent incarnation of abstract wealth. All this follows from its function in domestic (i.e. national) production, in short as the surface expression of abstract human labour (or, put another way, the social institution which induces the producers to abide by the law of value). Domestically (i.e. nationally), money is the general equivalent because it represents abstract labour. Internationally, money’s function as general equivalent has the effect of moulding domestic labour into world-wide labour in the abstract.33

In Marx’s time, of course, the international monetary system was different to what it is now: since each national currency was based on gold, gold was the common denominator for establishing exchange rates between currencies. Central banks did not hold foreign currency reserves, but bullion: only gold could settle international balances.

In world trade, commodities develop their value universally. Their independent value-form thus confronts them here too as world money. It is in the world market that money first functions to its full extent as the commodity whose natural form is also the directly social form of realisation of human labour in the abstract.34

This is very spare. Clearly, the world market and the national market do not function in the same way. A commodity which enters the world market is confronted with its value in the form of money, but not national money, the national measure of price, but pure gold. In the world market it must find its price anew. But world money represents human labour in general, irrespective of nationality. Hence the simplicity of world money in form.

In what other ways does world money differ from national money?

In the first place, a double standard – of gold and silver – operates. Marx does not venture into why this should be the case. I conjecture that it is due to the (at the time Marx was writing) undeveloped system of world commodity exchange (in the national sphere too silver and gold co-existed over an historical period until one – normally gold – drove out the other).

World money has the same three functions as national money – means of payment, means of purchase, ‘pure money’ – but there is a shift in priority: world money is principally a means of payment, a means of settling international balances.

Finally, we should, to conclude this chapter, point to a fourth manifestation of ‘pure money’: capital (as Marx notes in footnote 49 on page 234). This form must be the subject of the immediately following chapters.

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34 C., pp. 240-1.