Manuscript of 1857-58 (*Grundrisse*)

6 The Chapter on Money

Part 3 – Value and price (pp. 74-78[1])

Marx announces a digression. 'Although it is still too early, we may make a few remarks about the delusions that underlie the labour-time ticket, and peer into the deepest secret that links Proudhon's theory of circulation with his general theory, his theory of the determination of value.'[2]

(Before he does that, Marx says that, 'incidentally', if paper money, which is simply a draught on gold, is issued in excess of the gold on which it is a draught it cannot help but be depreciated. 'Three bank drafts of £15 each, which I issue to three separate creditors on the same £15 in gold, are in fact only drafts on £$\frac{15}{3}$=£5 each. Each of these notes would therefore be depreciated to 33$\frac{1}{3}$% from the outset.'[3])

The value of a commodity (Marx calls this its 'real exchange value'[4]) is determined by its cost of production, 'in other words, by the labour time required for [...] [its] production.'[5] Its *price* is 'this exchange value [...] expressed in money.'[6]

Replacing metallic money (or tokens representing metallic money) with labour money (denominating labour time) would amount to 'equat[ing] the *real value* (exchange value) of commodities and their *nominal value, price, money value* [...] [i.e. the] [e]quation of *real value and nominal value, of value and price*.'[7] But this equation would only be possible were it the case that the distinction between value and price *were* only nominal. But it is not only nominal.

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1 Karl Marx, *Economic Manuscripts of 1857–58 (First Version of Capital)*, trans. Ernst Wangermann and Victor Schnittke, in Karl Marx and Friedrich Engels, *Marx Engels Collected Works* (hereafter MECW) vol. 28 (hereafter G). For reasons I have discussed elsewhere, this translation is to be preferred to the other extant full translation in English, *viz.* Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy (Rough Draft)*, trans. Martin Nicolaus (Harmondsworth, 1973) (hereafter G(N) (although I shall make reference to the latter where it helps clarify Marx's meaning). The standard German translation ('translation' because Marx was in the habit of writing in draft in a cacophony of different languages) is Karl Marx, 'Ökonomische Manuskripte 1857/1858' in Karl Marx and Friedrich Engels, *Werke* (Berlin, 1981-), Bd. 42 (hereafter G(W)); the original manuscript is Karl Marx, 'Ökonomische Manuskripte 1857/58', in Karl Marx and Friedrich Engels, *Gesamtausgabe* (Berlin, 1975-) II, 1 (i.e. *Abteilung* II, *Band* 1) (hereafter G(M).

2 G, p. 74. Marx notes that the same theory is to be found in the work of the so-called 'Ricardian socialists' (my term, not Marx's) '[John Francis] Bray and [John] Gray'.

3 G, p. 74.

4 G, p. 74.

5 G, p. 74. Marx includes what he calls here 'labour' as a commodity.

6 G, p. 74.

7 G, p. 74. The distinction between 'real' value (cost of production) and 'nominal' value (money) is directly from Adam Smith. 'The real price of every thing, what every thing really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. [...] Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only.' (Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol. 1 (Indianapolis, 1981) pp. 47, 51)

'The value of commodities determined by labour time is only their average value. An average which appears [*erscheint*[8]] as an external abstraction [*äusserliche Abstraction*[9]] [...].'[10] This abstraction is 'very real', since it is 'both the driving force and the moving principle of the fluctuations which occur in the prices of commodities during a particular period of time.'[11] It also 'constitutes the basis of commercial speculation, where the calculation of probability proceeds from both the mean average price, which is taken as the centre of the fluctuations, and the average heights and depths of these fluctuations above or below this centre.'[12]

What Marx calls the 'market value' of a commodity (the value it actually sells at[13]) is always different from its average value: it 'always stands either below or above it.'[14] Marx says: '[t]he market value equates itself to the real value by means of its continual fluctuations, not by an equation with real value as some third thing, but precisely through continual inequality to itself [...].'[15]

Price, therefore, is not the same as value. It is not not the same only in the sense that the nominal is different from the real—by means of the former's denomination in gold or silver—but also because 'value appears [*erscheint*] as the law of the movements to which the former is subject.'[16] If price and value do coincide, they do so 'only quite fortuitously and exceptionally.'[17] The price of a commodity

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[8] G(M), p. 72. Marx always uses the verb '*erscheinen*' to talk about the *essential* and *necessary* manifestation of something; it does not suggest *illusion*, i.e. something appearing to be something which it is not.

[9] '*Aüsserliche*' could also be 'outward'.

[10] G, p. 75. It is an average 'in so far as it is obtained by calculation as the average over a period of time, e.g. 1 pound of coffee, 1 shilling, if the average price of coffee is taken over a period of, say, 25 years.' It should be noted here perhaps that the kind of secular price inflation we are familiar with in the post-World War Two world was unknown in Marx's day. In both Britain and the United States, although prices rose and fell, the overall price level was approximately the same in 1780 as it was in 1940. (See Anwar Shaikh, *Capitalism: Competition, Conflict, Crises* (Oxford, 2016), pp. 62-5. 'The term "inflation" means a persistent rise in prices. Inflation has been so pervasive in modern discourse that it has taken on the aura of a natural phenomenon. It is therefore salutary to look at the matter in historical perspective. [...] It is [...] apparent that what we now call "inflation" is a modern phenomenon. For hundreds of years prior to the postwar period, capitalist countries were characterised by successive waves of rising and falling prices. It is only in the postwar period that price levels begin to display a new pattern, one in which they rose without end.' (Pp. 62-3))

[11] G, p. 75.

[12] G, p. 75.

[13] Again, this is directly from Smith. 'The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with its natural price.

'The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing to pay [...].' (Smith, *Wealth of Nations*, p. 73)

[14] G, p. 75. Another way to say this is to say that the average is never equal (except coincidentally) with the instances of which it is the average. If there are ten people in a room, and we know the height of each, we may calculate their average height. The average is the average independently of the fact that the probability is that the height of none of the people is equal to it.

[15] G, p. 75. '[N]ot, as Hegel would say, by abstract identity but by a continual negation of the negation, i.e. of itself as the negation of the real value'.

[16] G, p. 75.

[17] G, p. 75.

will always stand above or below its value, such that 'the value of commodities itself exists only in the ups and downs of commodity prices.'[18]

While commodity prices are determined by supply and demand, supply and demand (which 'never coincide or do so only accidentally'[19]), production costs ('the labour time required for [...] [the commodity's] production') 'determine for their part the fluctuations of demand and supply.'[20] In turn, '[t]he gold or silver in which the price of a commodity, its market value, is expressed, is itself a particular quantity of stored up labour, a certain measure of materialised labour time.'[21] If, therefore, the production costs of the commodity and of the gold and silver remain constant, the rise or fall of its market price means only that a commodity equal to *x* labour time continually commands on the market something more or less than *x* labour time, stands above or below its average value determined by labour time.'[22]

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Let us stand back a little from this and take a look at what Marx has just said. The following very important ideas stand out.

1. The 'value' of a commodity (what Marx here calls its 'real exchange value'[23]) is 'determined by' the labour time required for its production.
2. What determines 'real value is is '[n]ot the labour time [*previously*] incorporated [...], but the *currently* [my italicisation] necessary labour time [...]'.
3. The expression of the value of a commodity in money is its price—its *nominal* value.
4. Value is an average whose *appearance* (*erscheinung*) is an 'external abstraction'. This 'external abstraction' is the commodity's *price*. It follows that price (a sum of money) is the *phenomenal manifestation* of labour-time (a quantity of person-hours)—its 'appearance' in the Hegelian sense. ('Price' here is therefore now the analogue of 'exchange-value' in *Capital*, and 'real value' here that of 'value'[24]).
5. If the value of a commodity is an 'average', it is the average—a time average—of the variation of its money price over time.
6. The price of a commodity varies over time because of the action of supply and demand. At any given moment, under the effect of supply and demand, a commodity will have a *given* price. This is

[18] G, p. 75.

[19] G, p. 75.

[20] G, p. 76.

[21] G, p. 76.

[22] G, p. 76.

[23] We need to note that Marx does not use the term 'exchange value' ('*Tauschwerth*') in the same way in the 1857-58 Manuscript as he does in *Capital*.

[24] 'Now we know the *substance* of value. It is *labour*. We know the *measure of its magnitude*. It is *labour-time*. The *form*, which stamps *value* as *exchange-value*, remains to be analysed.' (Karl Marx, *Capital: A Critique of Political Economy* (vol. 1), trans. Ben Fowkes (Harmondsworth, 1976), p. 131)

its 'market value'. But market value will coincide with price 'only quite fortuitously and exceptionally.'

7 Thus 'real value' (Smith's 'natural price')—*in its phenomenal form of price* (i.e. the 'external abstraction')—*is* an average because it is the average of the market value. This is what Marx means when he says that '[t]he market value equates itself to the real value by means of its continual fluctuations, not by an equation with real value as some third thing, but precisely through continual inequality to itself'.[25]

8 Why this average price should actually be the phenomenal form of the quantity of labour time required for the commodity's production (and not some other quantity of labour time) is explained by the fact that it is precisely the quantity of labour time required for the commodity's production ('the costs of production') that determine 'the fluctuations of supply and demand'.[26]

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The first real 'illusion' brought about by labour-time chits is that, by expressing labour time in terms of itself instead of in 'a particular objectification of labour time, say gold and silver',[27] they suppose the abolition of this 'nominal distinction' between exchange value and price.

Why is it an illusion? In the first place because the 'nominal distinction' is also a difference of magnitude: the given price of a commodity is never equal (or is so 'only quite fortuitously and exceptionally') to its average price (its 'real value').

> The labour-time ticket, which represents the *average labour time*, would never correspond to the *actual labour time* and never be convertible into it. That is, the labour time objectified in a commodity would never command a quantity of labour money equal to itself, and vice versa. It would command more or less, just as now each fluctuation of market values is expressed in a rise or fall in their gold and silver prices.[28]

Then there is the matter—over a longer time period—of the continuous rise in the productivity of labour, and the consequent depreciation of commodities compared to the labour-time tickets.

For both of these reasons, '[t]he inconvertibility of the labour-time tickets [...] is nothing but another expression of the inconvertibility between real value and market value, exchange value and price.'[29] The labour-time ticket would represent 'an ideal labour time' [*eine ideale Arbeitszeit*[30]]. And even though this (the representation of an *ideal*) is what *money* does, money does it as the representative of the 'third commodity' (the silver or the gold), and not as a measure *of itself*.

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[25] G, p. 75.

[26] This is exactly the point that Marx will seek to demonstrate in the third volume of *Capital* with the concept of 'market value' (Karl Marx, *Capital: A Critique of Political Economy* (vol. 3), trans David Fernbach (London, 1981), pp. 273ff).

[27] G, p. 76.

[28] G, pp. 76-7.

[29] G, p. 77.

[30] G(M), p. 74, and not 'eine *ideelle* Arbeitszeit', i.e. the labour time represented is 'ideal' not in the sense of being 'notional', but in that of *not existing*.

Money prices *do* express the disjunction between price and value, but they do so 'in a concealed form';[31] what does the concealing is precisely the 'third commodity'. 'The distinction between price and value, between the commodity as measured by the labour time of which it is the product, and the product of the labour time for which it is exchanged, this distinction *demands* a third commodity as a measure, in which the real exchange value of the commodity is expressed.'[32]

> *Because price does not equal value, the element determining value, labour time, cannot be the element in which prices are expressed. For labour time would have to express itself at once as the determining and the non-determining element, as the equivalent and the non-equivalent of itself.* Because labour time as a measure of value exists only ideally, it cannot serve as the material for the comparison of prices.[33] [...] The distinction between price and value demands that values as prices be measured by a yardstick other than their own. Price as distinct from value is necessarily *money price*. Here it becomes clear that the *nominal* distinction between price and value is conditioned by their *real* distinction.[34]

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[31] G, p. 77.

[32] G, p. 77 (italicisation added).

[33] 'This also explains how and why the value relationship assumes a material and distinct existence in money.'

[34] G, pp. 77-8.