Manuscript of 1857-58 (*Grundrisse*)

7 The Chapter on Money

Part 4 – Money (pp. 78-89[1])

If commodity *a* equals 1 shilling, and 1 shilling equals $\frac{1}{x}$ (let us suppose ounces) of silver, and commodity *b* equals 2 shillings ($\frac{2}{x}$ of silver), then commodity *b* is of twice the value of commodity *a*. 'The value relationship between *a* and *b* is expressed by the proportion in which each exchanges against a definite quantity of a third commodity, silver; *not against a value relationship*.'[2]

Each commodity (whether it is a product intended for unproductive consumption or an article of productive consumption) is equal to 'the objectification of a particular [amount of] labour time.'[3] The proportion is which it is exchanged for other commodities (or other commodities are exchanged for it) is equal to the amount of labour time realised in it. A commodity which is equal to one hour's labour time can be exchanged for any other commodity which is equal to one hour's labour time. (Assuming, of course, Marx reminds us, that 'exchange value' = 'market value', that 'real value' = price.)

But: '[t]he value of a commodity is different from the commodity itself.'[4] A commodity becomes value only in exchange (whether real or 'imagined' ['*vorgestellten*'[5]]). The value of a commodity is both its exchangeability 'in general' and its 'specific exchangeability'. 'It [value] is at once the indicator of the ratio in which the commodity exchanges for others and the indicator of the ratio in which it has already been exchanged for others (materialised labour time) in the process of production.'[6]

'Value is a commodity's quantitatively determined exchangeability.'[7] Different commodities are different in that they possess different properties, they are measured in different units, and are, as such, incommensurable (Marx does not use the term 'use value' but that is what he means here), but, as *values*, they 'are qualitatively equal and only quantitatively different, hence they can be measured in terms of

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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. 78, italicisation added.

[3] G, p. 78.

[4] G, p. 78.

[5] G(M), p. 75. '*Vorgestellte*' is 'imaginary' in the sense of 'imagined' or 'notional' rather than in that of irreal ('*ideell*' rather than '*ideal*'), i.e. in the sense of when a commodity has a price attached to it, but is not actually, in that moment, subject to exchange.

[6] G, p. 78.

[7] G, p. 78.

each other and are mutually replaceable (exchangeable, convertible into each other) in definite quantitative proportions.'[8]

The value of commodities is both their social relationship and their 'economic quality'. Different kinds of otherwise incommensurable commodities (effectively different use values) are as values mutually exchangeable in given ratios. As a value, a commodity is an 'equivalent', and as an equivalent its *natural* properties disappear. 'As value it [the commodity] is *money*.'[9] But the commodity as a *product* ('product' here is synonymous with what Marx will later call 'use value') is distinct from the commodity as a *value* (and the commodity as a value is distinct from the commodity as a product): the commodity, in one of its guises, is distinct from *itself*. Thus, since the commodity as a value is qualitatively distinct from itself as a value (and, as a value, is qualitatively similar to other commodities), its value requires *a qualitatively distinct existence from itself*.

> [The commodity's] value therefore must also have an existence qualitatively distinguishable from it, and in the actual exchange this separability must become an actual separation, because the natural distinctions between commodities must come into contradiction with their economic equivalence; the two can exist alongside one another only through the commodity acquiring a dual existence, a natural existence and alongside it a purely economic one, in which it is a mere sign, a letter for a relationship of production, a mere symbol for its own value.[10]

As a value on the one hand and as a product (its 'natural existence';[11] Marx also calls it 'an actual commodity' ('*wirkliche Waare*'[12])) on the other the commodity behaves in quite different ways. As a value, it is uniformly divisible, as a product, it is not; as a value, it is immutable though its metamorphoses, as a product it is only exchanged in the first place because it is qualitatively different to other commodities; as a value, it is general, as a product it is particular; as a value, its exchangeability is determined by *itself*, as a product, by virtue of its natural properties and the demand for it. 'In short, all the properties that are enumerated as particular properties of money are properties of the commodity as exchange value; [properties] of the product as value as distinct from the value as product.'[13]

Marx ventures now to label 'the exchange value of the commodity' 'a special existence alongside the commodity itself [i.e.] [...] *money*: the form in which all commodities are equated, compared, measured; the form into which all commodities are dissolved, and which dissolves itself in all commodities; the general equivalent.'[14] In 'calculations, accountancy, etc.' commodities are transformed into 'symbols of value' and abstracted from their material existence. In exchange this transformation needs to be carried out through 'a real *mediation* [...] a means by which this abstraction is effected.'[15] As a product ('[i]n its natural properties'[16]) a commodity is not universally exchangeable; to be so, [w]e must first convert it into itself as exchange value, in order to compare and to exchange this exchange value with others.'[17]

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[8] G, p. 78.

[9] G, p. 79.

[10] G, p. 79.

[11] G, p. 79.

[12] G (M), p. 76.

[13] G, p. 79.

[14] G, p. 79.

[15] G, p. 80.

[16] G, p. 80.

[17] G, p. 80.

Marx cites the case of a west African tribe, who 'barter' by equating products, according to their worth, to a given number of 'bars'. In this way, goods 'are valued before they are exchanged, and in order to be valued they must be brought into a definite numerical relationship to each other.'[18] Effectively, the goods are in this way given a price.

Products[19] only exchange as commodities and in exchange commodities only exist as values (otherwise they are not comparable). In exchange, each commodity is equated to a 'third thing', and, like this, each is posited as unequal to itself. 'This third thing, distinct from the other two since it expresses a ratio, exists initially in the head, in the imagination [...]. For the comparison of commodities, this abstraction is sufficient; for actual exchange, this abstraction must [...] be objectified, symbolised, realised through a token.'[20] The commodity 'must be exchanged for a third thing which is not itself a particular commodity but the symbol of the commodity as commodity [the 'commodity as such'], of the commodity's exchange value itself; *which therefore represents, say, labour time as such,* say, a piece of paper or leather which represents a certain portion of labour time.'[21]

The existence of a symbol of this type—'a symbol which represents certain portions of labour time'—is itself a *result* of exchange; the symbol replaces the mediating commodity of which it *is* a symbol. Once this happens, the symbol 'now becomes the conscious token of exchange value.'[22]

> Hence the process is simply this: the product becomes a commodity, i.e. a *mere element of exchange.* The commodity is transformed into exchange value. In order to equate it with itself as exchange value, it is exchanged for a token which represents it as exchange value as such. As such symbolised exchange value, it can then be exchanged again in certain proportions with any other commodity. Through the product becoming a commodity and the commodity becoming exchange value, it acquires, first in our mind, a dual existence. This mental duplication proceeds (and ust proceed) to the point where the commodity appears dual in actual exchange: as natural product on the one hand, as exchange value on the other. I.e. its exchange value acquires an existence materially separated from it.[23]

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[18] G, p. 80. The editors of MECW cite William Jacob, *An Historical Inquiry into the Production and Consumption of the Precious Metals*, vol. 2 (London, 1831). This is Jacob's account (pp. 326-27). 'It is well known that in the trade on the coast of Africa neither gold nor silver are made use of as measures of value ; but that an ideal standard has been adopted, originating at the period when the Europeans first resorted to that coast. This standard, called a bar, was at first used because the chief commodity in request was bar iron. All Others were measured by it. Thus a slave, a piece of cloth, or an India baft [a kind of calico], was reckoned worth a given number of bars; and even iron itself was, and still is, measured by these imaginary bars. As gold is thus rendered a more commodity and of less value than it would represent if it performed also the function of money, it will generally and profitably find its way to other countries, where, from being both a commodity and a measure of all others, it acquires a greater worth when exchanged for other objects.' (Internet Archive, An historical inquiry into the production, and consumption of the precious metals, accessed 26 June, 2023, <https://archive.org/details/anhistoricalinq01jacogoog/mode/2up>.)

[19] Interestingly, Marx twice says '[p]roducts (*or activities*)' (G, p. 80, my italicisation).

[20] G, p. 81.

[21] G, p. 82. 'Such a symbol presupposes general recognition; it can only be a social symbol; in fact, it only expresses a social relationship.'

[22] G, p. 82.

[23] G, p. 82.

This is what money is: '[e]xchange value detached from the commodities themselves, and itself existing as a commodity alongside them [...]'.[24]

Marx now comments, a little obliquely:

> The material used to express this symbol is a matter of some consequence, however varied it has been historically. As society develops it also evolves—along with the symbol—the material that more and more corresponds to the symbol, though it later strives to free itself from that material again; a symbol, if it is not arbitrary, requires certain conditions as regards the material in which it is presented. Thus, e.g. the signs for words possess a history; alphabetic script, etc.[25]

If money is the result of exchange value, then 'it is impossible to abolish complications and contradictions arising from the existence of money alongside specific commodities by changing the form of money [...].'[26] Neither is it possible 'to abolish money itself, so long as exchange value remains the social form of products.'[27]

Marx lists the following properties of money:

1 a 'measure of commodity exchange',[28] i.e. a standard of price;

2 a 'means of exchange';[29]

3 a 'representative of commodities (for that reason as the object of contracts)',[30] i.e. a means of *payment*;

4 a 'universal commodity existing alongside the particular ones',[31] a function which includes money's role as a store of value.

These are properties which 'follow simply from [money's] [...] role as objectified exchange value separated from the commodities themselves.'[32] To the extent that the social level of production develops along capitalist lines, such that 'every producer becomes dependent upon the exchange value of his commodity, i.e. the more the product really becomes exchange value, and exchange value becomes the immediate object of production, the more must *money relationships* develop, and with them the contradictions immanent in *money relationships,* immanent in the relationship of the product to itself as money.'[33] Alongside this there appears a growth in the *power* of money, 'i.e. the exchange relation

[24] G, p. 83.

[25] G, p. 83.

[26] G, p. 83. '[A]lthough difficulties inherent in a lower form of money may be avoided by a higher form [...].'

[27] G, p. 83.

[28] G, p. 83.

[29] G, p. 83.

[30] G, p. 83.

[31] G, p. 83. 'By virtue of its property as a universal commodity in relation to all others, as the embodiment of their exchange value, money is also the realised and always realisable form of capital [...]. It was owing to this property that capital appeared historically first only in the form of money. It explains moreover the connection of money with the rate of interest and its influence thereon.'

[32] G, p. 83.

[33] G, pp. 83-4.

establishes itself as a power external to and independent of the producers.'[34] The exchange relation passes from being a means to facilitate production to something 'alien' [*fremden*[35]]. 'What originally appeared as a means to promote production turns into a relationship alien to the producers. In proportion as the producers become dependent upon exchange, exchange appears to become independent of them; the rift between the product as product and the product as exchange value appears to widen. *Money does not create this opposition and this contradiction; on the contrary, their development creates the apparently transcendental power of money.*'[36]

Marx now asks: 'does not the existence of money alongside commodities contain from the outset contradictions inherent in this very relationship?'[37] Marx answers in the affirmative, and gives four reasons. First, he will argue that there is a contradiction immanent to the dual nature of the commodity itself. Second, he will say that, alongside this, and as a consequence, the act of exchange itself contains an immanent and contradictory dual nature. Third, there now appears a contradiction within exchange between the subjects of exchange (the exchangers) and the very act of exchange. Finally, he will argue that all this manifests itself within the medium (the mediator) of exchange, money itself, between its generality as universal exchangeability, and its particularity as a commodity (even if it is only a representation of a commodity). Marx's question is as to the immanent possibility of *crisis*. Here are his arguments.

1 The commodity has a dual existence: as a particular product, and as exchange value. In its existence as product, its exchange value is 'latent'; in its existence as exchange value, its particularity as product is 'discarded'. This dual nature expresses itself as a contradiction between the commodity's particular natural properties on the one hand and its social exchangeability on the other. This is a *contradiction* because 'these two separate forms of existence of the commodity are not mutually convertible. [...] As soon as money is an external thing alongside the commodity, the exchangeability of the commodity for money is immediately linked to external conditions, which may or may not be present.'[38] There is no guarantee that the commodity *will* be exchanged. 'Whether therefore the commodity is convertible into money [...] depends upon circumstances which have no immediate connection with it as exchange value and are independent of it. The convertibility of the commodity depends upon the natural properties of the product; that of money coincides with its existence as symbolised exchange value.'[39]

2 Exchange consists of two acts, buying and selling, separated from one another in space and time. 'They may correspond or not; they may coincide or not; disparities may occur between them.'[40]

[34] G, p. 84.

[35] G(M), p. 81. '*Fremd*' could also be 'strange', 'foreign', 'external' or 'extrinsic'.

[36] G, p. 84. In an aide-mémoire, Marx notes ('to be developed'), 'the influence of the transformation of all relationships into money relationships; of taxes in kind into taxes in money, rent in kind into money rent, feudal military service into mercenaries, in general of all personal services into monetary dues, of patriarchal, slave, serf, guild labour into pure wage labour.'

[37] G, p. 84.

[38] G, p. 85.

[39] G, p. 85.

[40] G, p. 85. Compare with Marx's account in chapter three of volume one of *Capital*: Karl Marx, *Capital: A Critique of Political Economy* (vol. 1), trans. Ben Fowkes (Harmondsworth, 1976), pp. 198ff.

3 The separation of buying and selling into two independent acts supposes that 'the general movement of exchange'[41] be separated from the exchangers, i.e. from the producers of the commodities. 'Exchange for the sake of exchange is separated from exchange for the sake of commodities.'[42] Under these conditions appears '[a]n estate of merchants [...] which buys only in order to sell, and sells only in order to buy again, aiming in this operation not at the possession of the commodities as products but merely at the acquisition of exchange value as such, of money.'[43]

On this basis of this duality—'exchange for the sake of consumption and exchange for the sake of exchange'[44]—there appears another contradiction. The circulation of commodities between merchants and that between merchants and consumers 'are determined by quite different laws and motives, and the greatest contradiction can develop between them.'[45] (Marx notes here the appearance of the 'money business'.[46])

4 The emergence of money as the 'general commodity' alongside particular (non-money) commodities occurs through the emergence of a *particular* commodity which *is* money. In this way 'money [...] comes into contradiction with itself and its determination because it is itself a *particular* commodity (*even if only a symbol* [my italicisation]) and thus, in its exchange with other commodities, is again subject to particular conditions of exchange which contradict its universal unconditional exchangeability.'[47]

Marx summarises.

> We see, then, how it is inherent in money to fulfil its purposes by simultaneously negating them; to make itself independent in relation to commodities; to turn itself from a means into an end; to realise the exchange value of commodities by separating them from it; to facilitate exchange by splitting it; to overcome the difficulties of the direct exchange of commodities by generalising them; to render exchange independent of the producers to the same extent as the producers become dependent on exchange.[48]

Then he says this, again obliquely, and in parentheses: '[i]t will later be necessary, before leaving this question, to correct the idealist manner of presentation which makes it appear as if it were merely a matter of the definitions of concepts and the dialectic of these concepts. Above all the phrase: the product (or activity) becomes a commodity; the commodity becomes exchange value; the exchange value becomes money.'[49]

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[41] G, p. 86.

[42] G, p. 86.

[43] G, p. 86. 'A merchant estate can arise even under conditions of mere barter. But since it has at its disposal only the surplus of production on both sides, its influence on production itself remains utterly secondary, as does its whole significance.'

[44] G, p. 86.

[45] G, p. 86. Marx does not mention the exchange between producers and merchants, which one would imagine also follows different laws.

[46] G. p. 86.

[47] G, p. 88.

[48] G, pp. 88-9.

[49] G, p. 89.

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