

3. Value, Labor, Money

3.1 Use Value, Exchange Value, and Value

Marx's intent in *Capital* is to analyze the capitalist mode of production, but his analysis does not begin immediately with capital. In the first three chapters, only the commodity and money are mentioned, and capital is dealt with explicitly only from the fourth chapter onward. Within the framework of the historical manner of reading *Capital* mentioned above, the first three chapters are therefore understood as an abstract description of a precapitalist "simple (or petty) commodity production." But the first two sentences make it clear that the chapter is not about pre-capitalist conditions:

The wealth of societies in which the capitalist mode of production prevails appears as "an immense collection of commodities"; the individual commodity appears as its elementary form. Our investigation therefore begins with the analysis of the commodity. (*Capital*, 1:125)

Here, Marx points out a specific aspect of *capitalist* socialization: in capitalist society—and only in capitalist society—the "commodity" is the typical form of wealth. Commodities (which we can define provisionally

as goods intended for exchange) also exist in other societies, but only in capitalist society do the overwhelming majority of goods consist of commodities. In the feudal societies of the early Middle Ages, only a small amount of goods were exchanged; the commodity form was more of an exception than the rule. The overwhelming majority of goods consisted of agricultural products and these were either produced for one's own use or turned over to landlords (nobles or the Church), not exchanged. Not until capitalism does exchange become comprehensive, and with it the commodity form of goods. Only with capitalism does wealth take the form of a "collection of commodities" and only with capitalism is the commodity the "elementary form" of wealth. This commodity, the commodity in capitalist societies, is what Marx intends to analyze.

One only describes something as a *commodity* if it is exchanged, something that in addition to its *use value* also has an *exchange value*. The use value of something is nothing other than its usefulness; for example, the use value of a chair consists of the fact that one can sit on it. The use value is independent of whether or not the object is exchanged.

Now if I exchange the chair for two sheets of linen, then the exchange value of the chair is two sheets of linen. If I exchange the chair for 100 eggs, then 100 eggs are the exchange value of the chair. If I don't exchange the chair at all, but only use it, then it has no exchange value, and it is also not a commodity, but merely a use value, a chair on which one can more or less comfortably sit.

To be a commodity, to therefore have an exchange value in addition to a use value, is not a "natural" property of things, but rather a "social" one: only in societies where things are exchanged do they possess an exchange value, only then are they commodities. As Marx notes, use values "constitute the material content of wealth, whatever its social form may be" (*Capital*, 1:126).

And with this we come to an extremely important distinction. The "content" of something (its "natural form") is distinguished from its "social form"—sometimes Marx speaks of an "economic form-determination" (*ökonomische Formbestimmung*). The "natural form" of the chair is simply its material composition (for example, whether it is made of wood or metal). "Social form," on the other hand, means that the chair is a "com-

modity," something that is exchanged and that therefore possesses an "exchange value." That the chair is a commodity is not a characteristic of the chair itself as a thing, but rather of the society in which this thing exists.

Individual acts of exchange occur in all forms of society that are known to us. But it is a specific aspect of capitalist society that almost everything is exchanged. This has consequences for quantitative relationships of exchange. In the case of exchange as an isolated phenomenon, there can be various quantitative exchange relationships: I can exchange the chair at one point for two sheets of linen, or at another point for three, etc. But if exchange is the normal form in which goods are transferred, then individual relations of exchange have to "match" each other in a certain way: in the example above, a chair was exchanged for two sheets of linen or for 100 eggs. If this is so, then it must also be the case that one can exchange 100 eggs for 2 sheets of linen. Why is that? If this were not the case, if for example 100 eggs could only be exchanged for one sheet of linen, then by a clever series of acts of exchange I could constantly make a profit: I exchange a sheet of linen for 100 eggs, then 100 eggs for 1 chair, then 1 chair for 2 sheets of linen. Through mere exchange, I would have doubled my inventory of linen sheets, and through a number of corresponding acts of exchange I could continuously increase my wealth. However, this would only be possible as long as I could find exchange partners who would be prepared to carry out the reciprocal acts of exchange. After a short period of time, the other participants in the market would want to imitate my profitable chain, and there would be nobody left who would want to engage in exchange from the other side. Relations of exchange can only be stable when they exclude the possibility that profit and loss can result merely through a particular *sequence* of exchange acts.

For *capitalist* societies, in which exchange is the rule, we can therefore conclude: the various exchange values of the same commodity also have to constitute exchange values for each other. If a chair can be exchanged for 2 sheets of linen, and on the other hand for 100 eggs, then one must also be able to exchange 2 linen sheets for 100 eggs.

Now, when such a regularity of exchange exists (and it must exist for exchange to function smoothly), then one cannot help asking what a chair, 2 linen sheets, and 100 eggs have in common. The answer sug-

gested by our everyday experience is: these three things have "the same value." Through experience with exchange we have a rather exact appreciation of the value of many things. If this diverges in actual exchange from our notion of what a thing is worth, then we conclude that a particular thing is just "cheap" or "expensive." But the questions for us are, what is it that constitutes this "value," and how is the respective magnitude of value determined?

Long before Marx, economists had concerned themselves with this question and came to two fundamentally different answers. One answer is: the value of something is determined by its usefulness. For something that is of great use to me, I'm prepared to pay a lot, whereas I'll pay very little, or nothing at all, for something that is of little use to me. This "utility theory of value," however, faces a great problem that Adam Smith had already formulated very clearly: water is of great use, we couldn't live without water, but the value of water is very small. Compared to water, the utility of a diamond is infinitesimally small, but its value is huge. Smith therefore drew the conclusion that it would not be the usefulness of a thing that determines its value. Rather, Smith considered the quantity of labor necessary to produce something as constituting its value. This is the second fundamental answer to the question as to what makes up value.

This "labor theory of value" was the common understanding within political economy during Marx's time.⁸ Applied to our example above, the labor theory of value says that a chair, 2 linen sheets, and 100 eggs have the same value, because the same quantity of labor is necessary to produce them.

There are two obvious objections to the labor theory of value. For one, things are also exchanged that are not products of labor (for example, virgin soil). For another, there are certain products of labor (such as works of art) whose exchange value is completely independent of the labor-time expended for their production.

Regarding the first point, it should be noted that the labor theory of value only explains the value of products of labor. Things that are not products of labor do not possess a "value." If they're exchanged, they have an exchange value or price, but no value, and this exchange value has to then be explained separately (Marx did this in vol. 3 of *Capital*).

As to the second point: a work of art is a product of labor, but unlike normal commodities, it is a unique object, something that only exists once. The price that a buyer is prepared to pay for it is a collector's price, which hasn't the slightest to do with the labor expended by the artist. However, most economic products are not unique, but rather mass-produced goods, and it is the value of those goods that should be explained.

Marx also sees the value of commodities as accounted for by commodity-producing labor. As an objectification of "equal human labour," commodities are *values*. The *magnitude of value* is determined by "the quantity of the 'value-forming substance,' the labour, contained in the article" (*Capital*, 1:129).

But, Marx continues, it is not the labor-time *individually* expended by isolated producers that creates value (a chair then produced by a slow carpenter would have more value than an identical chair produced by a speedy carpenter). Rather, it is the "socially necessary labor-time" that creates value.

Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. (*Capital*, 1:129)

However, the labor-time socially necessary for the production of a particular use value does not remain constant. If the productivity of labor increases, if more products can be created in the same time span, then the labor-time socially necessary for the production of a single item has diminished and the magnitude of its value declines. If, however, the productivity of labor declines, then the labor-time socially necessary for production increases, and the magnitude of a single product's value increases. This could be the consequence, for example, of natural conditions: if a harvest is spoiled, then the same quantity of labor yields a smaller output, more labor is necessary for the production of a single fruit, and its value increases.

If exchange exists, then a division of labor is implied. I only exchange for things that I do not myself produce. Division of labor is a precondition

tion of exchange, but exchange is not a precondition for the division of labor, as a glance at any factory would confirm: within a factory, there is a high level of division of labor, but the products themselves are not exchanged for one another.

Up until now, one might have had the impression that when the term “commodity” is used, it refers solely to physical objects. But what is relevant here is the act of exchange, not the fact that physical objects are being exchanged. Services can also be exchanged and therefore become commodities. The difference between a material product and an “immaterial” service consists solely of a different temporal relationship between production and consumption: the material product is first produced and subsequently consumed (a bread roll should be consumed on the same day, but an automobile can remain by its manufacturer for a few weeks or even months before I have the chance to use it). In the case of a service (whether we are talking about a taxi ride, a massage, or a theater performance), the act of production is concurrent with the act of consumption (as the taxi driver produces a change of place, I consume it). The difference between services and physical objects consists of a distinction of the *material* content; the question as to whether they are commodities pertains to their *social form*, and that depends upon whether objects and services are exchanged. And with that, we have sorted out the matter of the frequently stated argument that with the “transition from an industrial to a service economy” or in the left-wing variant of Hardt and Negri—the transition from “material” to “immaterial” production—Marx’s value theory has become outmoded.

The aspects of value theory that we have considered up to this point were largely dealt with by Marx on the first seven pages (out of a total of fifty) of the first chapter of *Capital*. For many Marxists, and most of Marx’s critics, this constitutes the core of Marx’s value theory: the commodity is use value and value, value is an objectification of human labor, the magnitude of value depends upon the “socially necessary labor-time” required for the production of a commodity (the last point is frequently referred to as the “law of value”). If that were actually all there is to it, then Marx’s value theory would not have gone very far beyond classical political economy. But the central value-theoretical insights of Marx are

not limited to these simple propositions. The decisive, most important aspects of Marx's value theory lay beyond what has thus far been outlined, which shall be made clear in the rest of this chapter.

3.2 A Proof of the Labor Theory of Value? (Individual Agency and Social Structure)

Tied up with the question concerning the difference between Marx's value theory and classical value theory is the question of whether Marx had "proven" the labor theory of value, that is, whether he had established beyond the shadow of a doubt that labor and nothing else underlies the value of a commodity. This question has been frequently discussed in the literature about Marx. But as we're about to see, Marx was not at all interested in such a "proof."

Adam Smith had "proven" the determination of a commodity's value through labor with the argument that labor entails effort and that we therefore estimate the value of something according to how much effort is involved in producing it. Here, value is ascribed directly to the *rational considerations* of isolated individuals. Modern neoclassical economic theory argues in a similar manner, taking utility-maximizing individuals as a point of departure and explaining exchange relationships on the basis of utility estimates. Both classical and neoclassical economic theory begin as a matter of course with isolated individuals and their allegedly universal human strategies and attempt to explain the whole of society from this starting point. In order to do this they have to project onto individuals some of the features of the society they purport to explain. Thus does Adam Smith define the "propensity to truck, barter, and exchange" as the characteristic that distinguishes humans from animals, and from there it is of course no problem to derive the structures of an economy based upon commodity exchange from the rationality of this sort of person (the commodity owner) to declare these structures as universally human.

For Marx, on the other hand, it was not the thought processes of individuals that are fundamental, but rather the *social relations* in which the

individuals are embedded at any given time. As he pointedly formulated it in the *Grundrisse*:

Society does not consist of individuals, but expresses the sum of relationships and conditions in which these individuals stand to one another. (MECW, 28:195)

These relations impose a certain form of rationality to which all individuals must adhere if they wish to maintain their existence within these conditions. If their actions correspond to this rationality, then the activity of individuals also reproduces the presupposed social relations.

Let's make this connection clear using an obvious example. In a society based upon commodity exchange, everyone must follow the logic of exchange if he or she wants to survive. It is not merely the result of my "utility maximizing" behavior if I want to sell my own commodities dearly and buy other commodities cheaply. Rather, I have no other choice (unless I am so rich that I can choose to ignore exchange relationships). And since I am not capable of seeing an alternative, maybe I even perceive my own behavior as "natural." When the majority behaves in the manner indicated, they also reproduce the social relations that commodity exchange is based upon, and therefore the compulsion for every individual to continue to behave accordingly.

Marx therefore does not account for his value theory on the basis of the considerations of those engaged in exchange. Contrary to a common misunderstanding, his thesis is not that the values of commodities correspond to the labor-time socially necessary for their production because those engaged in exchange want it to be so. On the contrary, Marx maintains that people engaged in exchange in fact *do not* know what they're actually doing (*Capital*, 1:166-67).

With value theory, Marx seeks to uncover a specific social structure that individuals *must* conform to, *regardless of what they think*. The question posed by Marx is therefore completely different than that posed by classical or neoclassical economics; in principle, Adam Smith observes a *single* act of exchange and asks how the terms of exchange can be determined. Marx sees the individual exchange relation as part of a *par-*

ticular social totality—a totality in which the reproduction of society is mediated by exchange—and asks what this means for the labor expended by the *whole society*. As he made clear in a letter to his friend Ludwig Kugelmann, a “proof” of the labor theory of value is not the point:

The chatter about the need to prove the concept of value arises only from complete ignorance both of the subject under discussion and of the method of science. Every child knows that any nation that stopped working, not for a year, but let us say, just for a few weeks, would perish. And every child knows, too, that the amounts of products corresponding to the differing amounts of needs demand differing and quantitatively determined amounts of society's aggregate labour. It is self-evident that this necessity of the distribution of social labour in specific proportions is certainly not abolished by the specific form of social production; it can only change its form of manifestation. Natural laws cannot be abolished at all. The only thing that can change, under historically differing conditions, is the form in which those laws assert themselves. And the form in which this proportional distribution of labour asserts itself in a state of society in which the interconnection of social labour expresses itself as the private exchange of the individual products of labour, is precisely the exchange value of these products. (MECW, 43:68)

If, under the conditions of commodity production, the distribution of privately expended labor onto individual branches of production is mediated by the value of commodities (conscious regulation or a distribution predetermined by tradition do not exist), then the interesting question is how this is at all possible, or stated more generally, how privately expended labor becomes a component part of the total labor of society. So value theory doesn't “prove” that an individual act of exchange is determined by the productively necessary quantity of labor.⁹ Rather, it should explain the specific social character of commodity-producing labor—and Marx does this mainly beyond the first seven pages of *Capital* discussed above, which traditional Marxism as well as many critics of Marx take to be the most important for Marx's value theory.

3.3 Abstract Labor: *Real Abstraction and Relation of Social Validation*

To understand what's behind the specific social character of commodity-producing labor, we have to deal with the distinction between "concrete" and "abstract" labor. In most accounts of Marx's value theory, this distinction is briefly mentioned, but its importance is frequently not understood. Marx himself pointed out its fundamental significance:

I was the first to point out and to examine critically this twofold nature of the labour contained in commodities. As this point is crucial to an understanding of political economy, it requires further elucidation.
(*Capital*, 1:132)

What does this mean? If the commodity has a twofold character, as use value and value, then *commodity-producing labor* must also have a twofold character: it is labor that not only produces a use value, but also value. (Here it is important to note that not all labor has a twofold character, but rather only *commodity-producing labor*.)

Qualitatively different "concrete labors" produce qualitatively different use values: carpentry produces a chair; linen weaving produces a linen sheet. When we "learn a trade," we study the particularities of a concrete activity; when we observe a person working, then we observe him or her executing a concrete act of labor.

Value, however, is not constituted by a particular concrete labor or through a particular aspect of concrete labor. *Every act of labor whose product (which can also be a service) is exchanged produces value.* As values, the commodities are *qualitatively* equal; therefore the various acts of labor that produce values must have the status of *qualitatively equal human labor*. Carpentry does not produce value as carpentry (as carpentry, it produces a chair); rather, it produces value as human labor, whose product is exchanged with other products of human labor. So carpentry produces value precisely as labor *abstracted from its concrete manifestation* as carpentry. Marx therefore speaks of value-producing labor as "abstract labor."

Abstract labor is thus not a special type of labor expenditure, such as monotonous assembly-line labor as opposed to artisanal, content-rich carpentry. As labor *constituting use value*, monotonous assembly-line labor is just as much concrete labor as carpentry. Assembly-line labor (just like carpentry) *only constitutes value as equal human labor*, abstracted from its concrete character, or, in short: assembly-line labor and carpentry only constitute value as *abstract labor*.

As “crystals” of abstract labor, commodities are “values.” Marx therefore describes abstract labor as the “value-forming substance” or as the “substance of value.”

The “substance of value” as a figure of speech has frequently been understood in a quasi-physical, “substantialist” manner: the worker has expended a specific quantity of abstract labor and this quantity exists *within the individual commodity* and turns the isolated article into an object of value. That things are not so simple should already be apparent by the fact that Marx describes the value-objectivity as a “spectral objectivity” (*gespenstige Gegenständlichkeit*, *Capital*, 1:128, corrected translation); in the manuscript in which Marx noted revision of the first edition of *Capital* preparing the second edition, “*Ergänzungen und Veränderungen zum ersten Band des ‘Kapital,’*” he even speaks of a “purely fantastic objectivity” (*rein phantastische Gegenständlichkeit*). If the “substantialist” understanding of Marx’s value theory were accurate, then it would be difficult to understand what is supposed to be “spectral” or “fantastic” about the objectivity of value.

Let us deal with abstract labor in more detail. Abstract labor is not visible, only a particular concrete labor is visible, just as the concept of “tree” isn’t visible: I’m only capable of perceiving a concrete botanical plant. As with the term “tree,” abstract labor is an abstraction, but a completely different kind of abstraction. Normally, abstractions are constituted in human thought. We refer to the commonalities among individual examples and then establish an abstract category, such as “tree.” But in the case of abstract labor, we are not dealing with such a “mental abstraction” but with a “real abstraction,” by which we mean an abstraction that is carried out in the actual behavior of humans, regardless of whether they are aware of it.

During the act of exchange, an abstraction is made from the use value of commodities, and the commodities are equated *as values*. (Of course,

the individual buyer only purchases a commodity because he is interested in its use value, and, as the case may be, refrains from exchange if he does not desire this use value; however, if exchange occurs, then the commodities are equated as values.) Only with the equation of commodities as values does an abstraction from the particularity of the labor that produces them actually occur, and it only counts as value-forming "abstract" labor. So the abstraction *really* occurs, independent of what the participating commodity owners think.

This point is not always made clearly by Marx. He speaks of abstract labor as "an expenditure of human labour power, in the physiological sense" (*Capital*, 1:137). The reduction of various types of labor to labor in a physiological sense, however, is a purely mental abstraction, to which any kind of labor can be subjected, regardless of whether it produces a commodity. Furthermore, this formulation suggests that abstract labor has a completely non-social, natural foundation, and has therefore accordingly provoked "naturalistic" interpretations of abstract labor.¹⁰ In other passages, however, Marx expresses himself clearly concerning the non-naturalistic foundation of abstract labor. He writes in the revised manuscript to the first edition (Marx-Engels Gesamtausgabe or MEGA, II.6:41; Marx included this sentence in the French translation):

The reduction of various concrete private acts of labor to this abstraction of equal human labor is only carried out through exchange, which in fact equates products of different acts of labor with each other.

Accordingly, it is exchange, that consummates the abstraction that underlies abstract labor (independent of whether the people engaged in exchange are aware of this abstraction). But then *abstract* labor cannot be measured in terms of hours of labor: every hour of labor measured by a clock is an hour of a particular *concrete* act of labor, expended by a particular individual, regardless of whether the product is exchanged. Abstract labor, on the other hand, cannot be "expended" at all. Abstract labor is a *relation of social validation* (*Geltungsverhältnis*) that is constituted in exchange. In exchange, the concrete acts of expended labor *count* as a particular quantum of value-constituting abstract labor, or are

valid as a specific quantum of abstract labor, and therefore as an element of the total labor of society.

This validation (*Geltung*) of privately expended concrete labor as a particular quantum of value-constituting abstract labor implies three different acts of reduction:

1. Individually expended labor-time is reduced to socially necessary labor-time. Only labor that is necessary for the production of a use value under average conditions counts as value-constituting. The level of average productivity, however, is not determined by an individual producer, but rather upon the entirety of producers of a use value. The average changes constantly and only becomes apparent in the act of exchange; only then does the individual producer find out to what extent his individually expended labor-time corresponds to the socially necessary labor-time.
2. In traditional Marxism, a technologically determined "socially necessary labor-time" was usually understood as the sole determinant of value-constituting labor. Whether the use values produced faced a corresponding monetary demand appeared to play no role in the determination of their value. However, Marx noted that in order to produce a commodity one has to produce not only a use value, but rather "use-values for others, social use-values" (*Capital*, 1:131). If a greater quantity of a use value, a linen sheet for example, is produced beyond that of the (monetary) demand existing in society, then this means that "too great a portion of the total social labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time on his particular product than was socially necessary" (*Capital*, 1:202).

Only labor-time expended under the average existing conditions of production *as well as* for the satisfaction of monetary social demand constitutes value. To what extent the privately expended labor was actually necessary to satisfy demand depends on the one hand upon the amount of this demand and on the other hand upon the volume of

production of other producers—both of which first become apparent in exchange.

3. Individual acts of labor expenditure are not only distinguished from one another in their concrete character (as carpentry, as tailoring, etc.) but in regard to the qualifications of the required labor power. "Simple labour-power" is "the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way" (*Capital*, 1:135). Exactly what counts as a qualification belonging to the simple average labor force and whether, for example, reading and writing or computer skills are counted among these qualifications varies from country to country and among different cultural epochs but remains firmly established within a particular country at a particular point in time. The labor of more highly qualified forces of labor counts as "skilled" labor, and is regarded as constituting a greater magnitude of value than simple average labor. To what degree a particular amount of skilled labor constitutes more value than the same amount of simple labor is again only apparent in exchange. Not only do the qualifications of the labor force emphasized by Marx play a role in the quantitative relation; also decisive are processes of social hierarchization that are reflected, for example, in the fact that "female professions" have a lower status than "male professions," which in turn influences how activities are considered "simple" or "skilled."

The extent to which privately expended individual labor *counts* or is *effectively valid* as value-constituting abstract labor is the result of these three reductions that take place *simultaneously* in the act of exchange.

3.4 "Spectral Objectivity": *A Production or Circulation Theory of Value?*

Value-objectivity (*Wertgegenständlichkeit*) is not possessed by commodities as objectifications of concrete labor, but rather as objectifications of abstract labor. However, if as we just outlined, abstract labor is a relation

of social validation existing only in exchange (where privately expended labor counts as value-constituting, abstract labor) then value also first exists in exchange. What's more, value is not at all a property that an individual thing possesses in and of itself. The substance of value, that constitutes the foundation of this objectivity, is not inherent to individual commodities, but is bestowed *mutually* in the act of exchange.

The most emphatic statement on this by Marx can be found in his revised manuscript for the first edition. There he states that when a coat is exchanged for linen, then both are "reduced to an objectification of human labor per se." However, it should not be forgotten that

none of both is in and of itself value-objectivity [Wertgegenständlichkeit], they are this only insofar as that this objectivity is commonly held by them. Outside of their relationship with each other—the relationship in which they are equalized—neither coat nor linen possess value-objectivity or objectivity as congelations of human labor per se. (MEGA, 2.6:30)

As a consequence,

a product of labor, considered in isolation, is not value, nor is it a commodity. It only becomes value in its unity with another product of labor. (MEGA, 2.6:31)

With this we also come closer to the "phantom-like" (better translated: spectral) character of value-objectivity that Marx spoke of at the beginning of *Capital*. The substance of value is not something that two commodities have in common in the way, for example, that both a fire truck and an apple have the color red in common. Both are red even in isolation from each other, and when they are placed alongside each other, we detect that they have something in common. The substance of value, and thus the value-objectivity, is something only obtained by things when they are set into relation with one another in exchange. It's as if the fire truck and apple were only red when they're actually standing alongside one another, and had no color when separated (the fire truck in the fire station, the apple hanging from an apple tree).

Normally, objective properties of things are inherent, regardless of their relationship to other things. We do not regard properties of things that only exist in a specific connection to other things as objective, inherent properties of those things, but rather as relations. If soldier A is commanded by staff sergeant B, then A is a subordinate and B is a superior. The property of being a subordinate or a superior arises from the specific *relationship* between A and B within a military hierarchy, but are not inherent to them as people outside of this hierarchy.

In the case of value, a property that only exists within a relationship *appears* to be an objective property that is also inherent outside of this relationship. If we attempt to locate this objectivity outside of the exchange relationship, it eludes our grasp. The objectivity of value is quite literally a "spectral objectivity."

Traditional Marxism was also taken in by the illusion that value was a property of an individual commodity. The substance of value was understood in a "substantialist" way, as a property of an *individual* commodity. The magnitude of value was also understood as a property of an individual commodity and it was believed to be determined, independent of the exchange process, by the quantity of socially necessary labor-time expended in the *production* of the commodity. Conceptions that emphasized the importance of exchange were accused of advancing a circulation theory of value, and thus of approaching value by placing emphasis on a supposedly negligible aspect.

However, even the question as to whether value and the magnitude of value are determined in the sphere of production or in the sphere of circulation (the sphere of buying and selling) is the result of a fatal reduction. Value isn't just "there" after being "produced" someplace. In the case of a bread roll, one can at least pose the question (even if the answer is somewhat obvious) as to where it comes into existence—in the bakery or in the act of purchase over the sales counter. But value isn't a thing like the bread roll, but rather a social relationship that *appears as a tangible characteristic* of a thing. The social relationship that is expressed in value and the magnitude of value is constituted in production *and* circulation, so that the "either/or" question is senseless.

The *magnitude of value* is not yet determined before exchange, but also does not emerge coincidentally during the exchange act. It is the result of the threefold reduction, outlined in the previous section, of privately expended individual labor to abstract labor. The magnitude of value of a commodity is not simply a relationship between the *individual* labor of the producer and the product (which is what the "substantialist" conception of value amounts to), but rather a relationship between the *individual* labor of producers and the *total labor of society*. Exchange does not produce value, but rather mediates this relation to the total labor of society. However, in a society based upon private production, this act of mediation can only occur in the act of exchange, and nowhere else.¹¹

Prior to being exchanged, the magnitude of value can only be more or less estimated. This estimation is also responsible for whether a commodity producer takes up production. But the estimation of a value is in no way the same thing as the existence of this value, a painful fact that some producers experience firsthand.

These considerations should make it clear that Marx's use of the term "substance of value" should not be understood in a "substantialist" way, in the sense that a substance is present within individual things. Objectivity as value is not a tangible aspect of an individual commodity. Only with the act of exchange does value obtain an objective value form, thus the importance of the "value form analysis" for Marx's theory of value.¹²

3.5 *The Form of Value and Money* (*Economic Determinate Form*)

With the analysis of the form of value, Marx claims to accomplish something that has no counterpart in bourgeois economy. He writes:

Everyone knows, if nothing else, that commodities have a common value-form, which contrasts in the most striking manner with the motley natural forms of their use-values. I refer to the money form. Now, however, we have to perform a task never even attempted by bourgeois economics. That is, we have to show the origin [*Genesis*] of this money-form, we

have to trace the development of the expression of value contained in the value-relation of commodities from its simplest, almost imperceptible outline to the dazzling money-form. (*Capital*, 1:139)

This sentence has been frequently understood as if Marx's intent is to trace, at a high level of abstraction, the historical emergence of money, starting from the simple exchange of products. But if that were the case, then his attempt to distinguish himself from bourgeois economics by claiming to accomplish something that the latter never even attempted would be completely exaggerated. Even in Marx's time such abstract-historical sketches belonged to the standard repertoire of economists.¹³

But let us recall that in the first sentence of *Capital* Marx clearly states that his intent is not to analyze a precapitalist commodity, but rather the commodity as it exists in capitalism (see the beginning of section 3.1 above). Hence it is clear that with the phrase "origin" (*Genesis*) he does not mean *the historical emergence of money*, but rather a *conceptual relationship of development*. He is not concerned with the historical development of money (not even in a completely abstract sense) but with a conceptual reconstruction of the connection between the "simple form of value" (a commodity expressing its value through another commodity) and the "money form." This is a relation that exists within contemporary capitalism. More generally, the question is whether money in a commodity-producing society is merely a practical aid (which is otherwise basically dispensable) or whether money is in fact a *necessity*.

In Marx's time, this question was not a merely academic one. Various socialist tendencies, in devising alternatives to capitalism, aspired to a society in which private commodity production would continue to exist, but money would be abolished and replaced by certificates of entitlement to goods or slips denoting hours of performed labor. The proof that money and commodity production are inseparable was also intended as a critique of such tendencies.

In his analysis of money, Marx proceeds in three steps.

1. First, in a form analysis (meaning that form determinations are analyzed while disregarding the commodity owners), the general equiva-

lent form (respectively, the money form) of value is developed as a necessary form of value.

2. Subsequently, the *activity of commodity owners* is dealt with: *actual money*, which must correspond to the determinants of the general equivalent form, first emerges on the basis of such activity.
3. Finally, the various *functions* that money assumes within "simple circulation" (meaning the circulation of commodities and money, abstracting from capital) are developed.

Bourgeois economics usually begins its treatments of money by enumerating the various functions of money. That money exists at all is explained with the argument that without money it would be rather difficult to organize exchange, that is, the justification occurs at the level of the activity of commodity owners. Form-analytical considerations about the connection between *value* and *value-form* cannot be found at all within bourgeois economics, yet this connection is exactly the "*Genesis*" that Marx spoke of in the above quotation.

However, many Marxists have difficulties understanding Marx's analysis. Substantialist interpretations, by bourgeois economists, normally place emphasis upon the *functions of money* and are generally at a loss to deal with the conceptual development of the money form and money. But even non-substantialist interpretations often ignore the differences between the first two steps: the conceptual development of the *money form*, and the conceptual development of *actual money*. We'll deal with the first step in this subsection and handle steps 2 and 3 in the following two subsections.

Marx begins the analysis of the value form with the examination of the "simple, isolated, or accidental form of value." This is the expression of a commodity's value in another:

$$x \text{ commodity A} = y \text{ commodity B}$$

Or Marx's famous example:

20 yards of linen = 1 coat

The value of the linen is expressed, and the coat serves as a means of expressing the value of the linen. Both commodities thus play completely different roles in the form of expression of value, and Marx assigns different terms to these roles. The value of the first commodity (linen) is expressed as "relative value" (meaning in relation to something else); this commodity is in the *relative form of value*. The second commodity (the coat) serves as an "equivalent" for the value of the first commodity; it is in the *equivalent form of value*.

In the simple expression of value, only the value of one commodity can be expressed at any given time; only the value of the linen is expressed—as a specific quantity of coat. The value of the coat, on the other hand, is not expressed. However, the expression of value—"20 yards of linen are worth one coat"—also implies the reverse: "One coat is worth 20 yards of linen." Now the coat is in the relative form of value and the linen is in the equivalent form.

Value cannot be grasped within an individual use value; it only obtains a tangible form in the expression of value: the commodity that appears as the equivalent form (commodity B) now has the status of being the embodiment of the value of the commodity in the relative form of value (commodity A). But considered in isolation, the second commodity is just as much a use value as the first commodity. However, *within the expression of value*, the second commodity in the equivalent form plays a specific role. It has the status not only of being a particular use value, but also counts *simultaneously*, in its manifestation as use value, as a *direct* embodiment of value: "Hence, in the value-relation, in which the coat is the equivalent of the linen, the form of the coat counts as the form of value" (*Capital*, 1:143).

The value of the linen only acquires an *objective* form because the value assumes the form of the coat; the value of the linen becomes tangible, visible, and measurable as a specific quantity of coat. Marx summarizes this as follows:

The internal opposition between use-value and value, hidden within the commodity, is, therefore, represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity whose own value is supposed to be expressed, counts directly only as a use-value, whereas the other commodity, in which that value is to be expressed, counts directly only as exchange value. (*Capital*, 1:153)

Value is something purely social; it expresses the *equal social validity* of two completely different concrete acts of labor, and it is therefore a specific *social relationship*. This social relationship acquires, in the equivalent form, the shape of a thing; in our example, value appears to be directly identical with a coat. The coat counts as an embodiment of value, but only within the form of expression of value. That the coat has different properties within the form of expression of value than it does outside of it is still clear in the case of the coat. With regard to money, however, this is no longer obviously visible.

The simple form of value expresses the value of commodity A in an object, makes it tangible and measurable, but is nonetheless insufficient, since it only relates commodity A to a *single* commodity, commodity B, and does not yet relate commodity A to all other commodities.

If we now consider the value relationship of commodity A (in this case the linen) to all other commodities, then we obtain the "total or expanded form of value":

20 yards of linen are worth 1 coat,
20 yards of linen are worth 10 lbs. of tea,
20 yards of linen are worth 40 lbs. of coffee, etc.

The value of the linen now stands in relation to the entire world of commodities (and not just to a single commodity), and at the same time it becomes clear that the value of the commodity is indifferent toward the particular form of use value in which it is expressed: a coat, but also tea and coffee and so forth, can serve as the embodiment of the value of the linen. The value of the linen remains the same, whether it is manifested in a coat or in coffee. Thus it also becomes clear that the quantitative

exchange relationship is in no way coincidental, a fact that was not yet visible in the case of the simple form of value.

However, the expanded form of value is also inadequate: the expression of the value of commodity A is incomplete and without closure. Furthermore, the expressions of value are heterogeneous; we have multiple specific equivalent forms that mutually exclude each other.

The total form of value is nothing other than a series of simple forms of value. But every single one of these simple forms of value contains within itself its own inversion. If we reverse the series of simple forms of value, we acquire the "general form of value":

1 coat is	}	worth 20 yards of linen
10 lbs. of tea are		
40 lbs. of coffee are		

The value of commodities is now expressed in a *simple* and *unified* form, because a *single* commodity, the "general equivalent," serves as an expression of value for all other commodities. So this form performs a decisive function:

Through its equation with linen, the value of every commodity is now not only differentiated from its own use-value, but from all use-values generally, and is, by that very fact, expressed as that which is common to all commodities. *By this form, commodities are, for the first time, really brought into relation with each other as values.* (*Capital*, 1:158; emphasis added)

The value-objectivity (*Wertgegenständlichkeit*) is not an inherent property of any *individual* commodity but rather a social characteristic, because it expresses the relationship of individual commodities (or, respectively, the individual acts of labor producing these commodities) to the entire world of commodities (respectively, the total labor of society). Thus, not only does value necessitate an *objective* form of value, it necessitates a form of value that expresses this social character, and this is first accomplished with the *general form of value*.

The specific social character of the general form of value is shown in a further quality that distinguishes the general form of value from both the elementary and the expanded form of value. "In both cases, it is the private task, so to speak, of the individual commodity to give itself a form of value." But now:

The general form of value, on the other hand, can only arise as the joint contribution of the whole world of commodities. A commodity only acquires a general expression of its value if, at the same time, all other commodities express their values in the same equivalent; and every newly emergent commodity must follow suit. It thus becomes evident that because the objectivity of commodities as values is the purely "social existence" of these things, *it can only be expressed through the whole range of their social relations.* (*Capital*, 1:159; emphasis added)

What becomes evident here is something that is not clear to everyday consciousness, but is first apparent as a result of scientific analysis: the *social character* of value expresses itself in a specifically *social* form of value.

Value and magnitude of value—which are actually not properties of an individual commodity—can now, with the help of the *general equivalent*, be expressed so that it seems as if they were simple properties of individual commodities. Qualitatively, the value of coats (or tea, coffee, etc.) consists in their equality with linen: the value of a coat (or 20 lbs. of tea, 40 lbs. of coffee, etc.) is 20 yards of linen.

The *money form* is ultimately distinguished from the general form of value merely by the fact that the equivalent form has coalesced "by social custom" with the specific natural form of a particular commodity (historically this has been gold, and to a lesser extent silver). This commodity thus becomes the "money commodity."

The reference to "social custom" makes it clear that with the money form, we find ourselves at the level of the activity of commodity owners. Up to now, commodity owners have not been discussed. The *commodity form* of the product of labor and the *exchange relations of commodities* have been observed, but not the *exchange acts of commodity owners*.

3.6 Money and Exchange (Activity of Commodity Owners)

Only with the second chapter of *Capital* does Marx deal explicitly with commodity owners and their activity: as commodity owners, people are merely representatives of commodities. For that reason, the commodity had to be examined first.

If one considers only the exchange relation of commodities, then every commodity effectively serves as a manifestation of the value of every other commodity for which it can be exchanged. The commodity owner, however, does not wish to exchange his commodity for any arbitrary commodity, but rather for definite, particular commodities. For him, the commodity he owns is not a use value, and its exchange should provide him with the use value he requires. The commodity owner therefore would like to treat his own commodity like a general equivalent that can be *directly exchanged* for all other commodities. But since every commodity owner wants this from his commodity, no commodity is a general equivalent. For this reason, the commodity owners in the process of exchange are apparently faced with an irresolvable problem. Marx summarizes the *actual* solution rather incisively:

In their difficulties our commodity-owners think like Faust: "In the beginning was the deed." ("*Im Anfang war die Tat*"—Goethe, *Faust*, Part 1, Scene 3.) They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of a commodity. [The form analysis undertaken by Marx in the first chapter that we dealt with in the previous section. —M.H.] *But only the action of society can turn a particular commodity into the universal equivalent.* The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. The natural form of this commodity thereby becomes the socially recog-

nized equivalent form. Through the agency of the social process it becomes the specific social function of the commodity which has been set apart to be the universal equivalent. It thus becomes—money. (*Capital*, 1:180–81; emphasis added)

The analysis of the commodity revealed the necessity of the general equivalent *form*. In order to behave toward things as *commodities*, that is, to relate things to each other as *values*, the owners of commodities *must* relate their commodities to a general equivalent. Their “social act” must make a commodity into a general equivalent and thus real “money.”

The people engaged in exchange are “free” in their activity, but as *commodity owners* they must follow the laws imposed by the nature of commodities. As Marx already observed in the preface to *Capital*, individuals only enter the stage insofar as they are “personifications of economic categories” (1:92). If the analysis begins by considering the activity and consciousness of commodity owners, then the social context that needs to be explained has been taken for granted. This is the reason why it was necessary for Marx to distinguish between the *form determinants of the commodity* and the *activity of commodity owners*, and initially depict the form determinants as such, since they are the given preconditions for the activity and considerations of the commodity owners—who then continually reproduce these conditions through their own activity (see section 3.2 above).

Really existing money is a result of the activity of commodity owners, but in no way rests upon a silent contract, as John Locke, one of the most important philosophers of the early bourgeois era, thought. Money is not simply introduced with deliberate consideration in one go, which is what economists who argue that money is used as a means of simplifying exchange assume. Commodity owners, emphasized Marx, “*already acted before thinking*”; their activity *necessarily* brings about money as a result—otherwise, it is not at all possible to relate commodities to one another as values.¹⁴

So money is in no way merely a helpful means of simplifying exchange on the practical level and an appendage of value theory on the theoretical level. Marx’s value theory is rather a *monetary theory of value*: without the value form, commodities cannot be related to one another

as values, and only with the money form does an adequate form of value exist. "Substantialist" conceptions of value, which attempt to establish the existence of value within individual objects, are *pre-monetary theories of value*. They attempt to develop a theory of value without reference to money. Both the labor theory of value of classical political economy and the theory of marginal utility of neoclassical economics are pre-monetary theories of value. The usual "Marxist" value theory that alleges that value is already completely determined by "socially necessary labor-time" is also a pre-monetary value theory.¹⁵

3.7 The Functions of Money, the Money Commodity, and the Contemporary Monetary System

Marx distinguishes between three fundamental functions of money that arise from the "simple circulation" of commodities and money. If one considers the total process of capitalist production and reproduction, there are additional functions of money (see chapter 8 below).

The first function of money consists of serving as the general measure of value; the value of every commodity is expressed as a specific quantity of money.

Commodities are values as "crystals" of their common substance, abstract labor. So it is not money that makes commodities commensurable but the common reference to abstract labor. Marx therefore notes: "Money as a measure of value is the necessary form of appearance of the measure of value which is intrinsic to commodities, namely labour-time" (*Capital*, 1:188).

But with this, the question is also posed as to why value cannot be immediately expressed in labor-time, or why money does not directly represent labor-time. Marx very briefly deals with this question in *Capital* in a footnote and refers to his earlier text of 1859, *A Contribution to the Critique of Political Economy*. In this text he wrote:

Commodities are the direct products of isolated independent individual kinds of labour [*vereinzelter unabhängiger Privatarbeiten*], and through

their alienation [*Entäußerung*] in the course of individual exchange they must prove that they are general social labour, in other words, on the basis of commodity production, *labour becomes social labour only as a result of the universal alienation [Entäußerung] of individual kinds of labour.* (MECW, 29:321–22; emphasis added)

That which can be measured by a clock is always just the individual private labor expended before the act of exchange. As noted in the section concerning abstract labor, only with exchange can it be shown how much of this privately expended labor was actually value-constituting and thus valid as an element of social labor-time. Value-constituting labor-time (or the magnitude of abstract labor) cannot be measured before, only during exchange—and when the values of all commodities are set into relation with one another, then this act of measuring can only be conducted by means of money. For that reason, Marx can speak of money as the “necessary” form of appearance of the immanent value measurement by labor-time: value-constituting labor-time cannot be otherwise measured except through money.¹⁶

The expression of the value of a commodity in money terms is its *price*. To specify the price of a commodity there must be a clear understanding of what functions as money (gold, silver, a paper note), but the money must not necessarily be at hand, it merely serves here in an “imaginary or ideal capacity” (*Capital*, 1:190).

The magnitude of value of a commodity is expressed in its price—and this is the *only* possibility for the magnitude of value to be expressed. If the magnitude of a commodity’s value changes, if there is a new relationship of the individually expended labor to the total labor of society, then the price of the commodity also changes. However, the reverse is not the case: not every price is the expression of a specific magnitude of value, nor does every change in price indicate a change in the magnitude of value.

Things “without value,” meaning those things that are not products of “abstract labor,” can also have a price. That can be the case for both economically irrelevant issues (for example, the price of a noble title) and for quite important ones (for example, the price of a stock option, that is, the price of the right to buy a stock under guaranteed conditions).

The change in price of a *single* commodity can also indicate a change in its magnitude of value, but it can also be a sign of especially fortunate or unfortunate circumstances (momentary shifts in supply and demand) under which the commodity is sold. The simultaneous change in the price of *all commodities*, that is, a change in the price level, generally does not indicate a change in all magnitudes of value, but rather a change in the value of money: the devaluation of money is reflected in a general rise in prices (*inflation*), while a rise in money's value is reflected in a general decline in prices (*deflation*).

In what follows, it is mostly assumed that commodities are exchanged "at their true values." This means that we disregard momentary fluctuation and the prices of commodities are assumed to be adequate expressions of their value. However, in section 7.2 we will see that under normal capitalist conditions, commodities are not exchanged at their values, meaning that normal prices are not solely the expression of the magnitude of value of commodities.

The *second function* of money is as a means of circulation, which mediates the actual exchange of commodities. In exchange, the owner of Commodity A (for example, a weaver who produces linen), whose commodity does not represent a use value to him, wants to transform it into Commodity B (for example, a chair) whose use value is of interest to him. He sells the linen for 20 euros and subsequently purchases a chair with these 20 euros. Marx describes this process as the "metamorphosis of the commodity" (for the weaver, the linen has been transformed into a chair).

The *material substance* of this metamorphosis is the substitution of one use value by another. Marx also speaks of the "social metabolism." The *result* is the same as that of a simple act of swapping linen for a chair. However, the *form* of this process is completely different, and this difference of form is precisely the point here.

As distinct from a simple swap, the metamorphosis of the commodity is mediated by money; the process has the form Commodity—Money—Commodity (C—M—C), or concretely from the standpoint of the weaver, linen—money—chair.

What is for the weaver the first act of the process, C—M, the transformation of the linen into money, is for the possessor of the money who

buys the linen the conclusion of the metamorphosis of his original commodity. The purchase of the chair presents itself to the weaver as the conclusion of his commodity's metamorphosis, and in contrast, for the carpenter who sells the chair, this act is the beginning of the metamorphosis of the commodity.

The metamorphoses of commodities are labyrinthine and never-ending: in their totality they constitute the *circulation of commodities*. The simple exchange of products—use value for use value—is in contrast merely a two-sided affair, which is exhausted in the individual act of exchange. The circulation of commodities and the exchange of products are thus fundamentally different.

The fact that the interrelation of various individual acts is established through money in the circulation of commodities (as opposed to mere exchange of products), also means reciprocally that the intervention of money also contains the possibility of the interruption of this cohesion. If the weaver sells his linen, but holds on to the money without buying anything, then not only is the metamorphosis of his own commodity, the linen, interrupted, but so is the metamorphosis of other commodities (for example, the chair). The possibility of interruption and therefore of *crisis* is inherent to the mediation of the social circulation of matter through money. But for the mere *possibility* of crisis to become an *actual crisis*, a series of further circumstances must come into play (discussed in chapter 9).

The metamorphosis of the commodity, $C-M-C$, begins with one commodity and ends with a different commodity of the same value but a different use value. The commodity emanates from a particular commodity owner and returns to him in a different physical form. To that extent, the commodity is part of an act of *circulation*. The money that mediates this circulation, on the other hand, traces an orbit: during the first act, $C-M$, the commodity owner receives money, but only in order to spend it again (under normally functioning circumstances of commodity circulation) and complete the subsequent act of $M-C$. In its function as a means of circulation, money constantly remains within the sphere of circulation. However, merely *symbolic money* is sufficient for circulation, since the commodity owners are only concerned with the commodities

that they can buy with it, and money can be substituted for mere "symbols of value" that are themselves without value (such as paper bills).

Only with its *third function* does money ultimately function as *real money*; as the *magnitude of value* money does not actually have to be present, and ideal money is sufficient; as a *means of circulation* money has to be present, but symbolic money is sufficient. Only as a unity of magnitude of value and means of circulation is money really *money*, that is, *an independent embodiment of value*, and this implies a series of new determinations.

Whereas the various commodities in their material existence represent particular use values and their value ("abstract wealth") can only be imagined, real money is the "material being of abstract wealth" (MECW, 29:358, corrected translation). Whatever material object functions as money counts as a thing of value in its immediate material existence. As a thing of value, it can be exchanged at any time for any other commodity, and can thus be transformed into any use value. Real money is therefore "the material symbol of physical wealth" (MECW, 29:358).

Real money, meaning money as an independent manifestation of value, has very specific functions. It functions as a hoard, as a means of payment, and as universal money.

As a hoard, money is withdrawn from circulation. It no longer mediates the circulation of commodities, but instead serves as an independent manifestation of value outside the process of circulation. In order to hoard, a commodity owner sells commodities without engaging in a subsequent act of purchase. The goal of the sale is to hold on to money as an independent manifestation of value. Every commodity producer, in order not to postpone his own purchases until his commodities are sold (or in order to ensure against his failure to sell a commodity), is dependent upon a smaller or greater hoard of money.

In its function as a means of payment, money also acts as an independent manifestation of value. If a commodity is not paid for at the moment of purchase but later, then the buyer becomes a debtor, and the seller becomes a creditor. Money does not function here as a means of circulation that mediates a purchase but as a means of payment that concludes a purchase that has already happened. (The phrase "means of

payment" is used by Marx only in this sense; in contemporary everyday usage, as well as in contemporary economics, any money used to pay for purchase is described as a means of payment, regardless of whether payment is made immediately or later.) If money is used as a means of circulation, then the commodity owner initially engages in an act of sale, C—M. He then subsequently makes a purchase, and consummates M—C. In the case of money being used as a means of payment, the sequence is reversed: first the commodity owner makes a purchase, then he engages in a sales act to obtain the money for meeting his payment obligations. Acquiring money as the independent manifestation of value is now the function of the sale.

Finally, money functions as world money on the world market. On the world market, money can be used as a means of circulation in order to mediate a sale, as a means of payment, for concluding a sale, or as "the universally recognized social materialization of wealth" (*Capital*, 1:24) when not used for sale or payment, but to transfer wealth from one country to another (for example, after a war).

In *Capital*, Marx assumes that money always has to be linked to a particular commodity. During Marx's time, gold played the role of this "money commodity." But even back then, it was hardly the case that pieces of gold were widely used in everyday commerce; small sums were paid with silver or copper coins, larger sums with "banknotes." Banknotes were originally issued by individual banks, which promised to honor the notes in gold. Ultimately, banknotes were only issued by state central banks, which also promised to honor the notes in gold. As a rule, the central banks of individual countries were not allowed to print an arbitrary amount of banknotes, but rather had to ensure that the banknotes were covered by a proportionate amount of gold reserves. Gold was hardly circulated, but the paper money in circulation acted as a representation of gold.

At the end of the Second World War, at a conference in Bretton Woods, New Hampshire, an international currency system was agreed upon that was still based upon a gold standard. But only the U.S. dollar was covered by gold, thirty-five dollars corresponding to an ounce of gold. All other currencies had a fixed exchange rate to the dollar. However, the obligation

to honor dollars in gold was not valid for private individuals, only for state central banks. At the end of the 1960s, it had become clear that the massive amount of dollars in circulation had rendered the coupling of the dollar to gold a fiction. At the beginning of the 1970s, the gold standard was formally abolished, as were fixed currency exchange rates.

Since then, there is no longer any commodity that functions at a national or international level as a money commodity. Now, money is essentially the paper money issued by the state central banks, and there is nothing for which this paper money can be redeemed. Of course, one can still buy gold with this paper money, but now gold is just another commodity like silver or iron, and no longer plays the special role of a money commodity, neither legally nor by default.

Marx could not imagine a capitalist money system existing without a money commodity, but the existence of such a commodity is in no way a necessary consequence of his analysis of the commodity and money. Within the framework of the analysis of the commodity form, he developed the form-determinations of the general equivalent, and the analysis of the exchange process yields the result that commodity owners do in fact have to relate their commodities to a general equivalent. But that the general equivalent must be a specific commodity was not proven by Marx, merely assumed. That which serves as a general equivalent (whether an actual physical commodity or merely paper money) cannot be determined at the level of simple commodity circulation (for a more extensive analysis, see Heinrich 1999, 233). Only when the capitalist credit system is taken into consideration (see section 8.2 below) does it become clear that the existence of a money commodity is merely a historically transitional state of affairs, but does not correspond to "the capitalist mode of production, in its ideal average" that Marx sought to analyze (see section 2.1 above).

3.8 The Secret of the Fetishism of Commodities and Money

The final section of the first chapter of *Capital* is titled "The Fetishism of the Commodity and Its Secret." The term "commodity fetish" has enjoyed a certain amount of propagation since Marx's time, but is not

always used and understood in a way referring to phenomena dealt with by Marx. Marx did not use the term "commodity fetish" to describe how people in capitalism place an undue importance upon the consumption of commodities, or that they make a fetish out of particular commodities that serve as status symbols. The term also does not refer to making a fetish of brand names. There is no "secret" behind possessing expensive commodities as status symbols that needs to be deciphered.

It is often the case that the commodity fetish is characterized solely as a state of affairs in which the social relationships between people appear as social relationships between things (the relationships of those engaged in exchange appear as a value relationship between the products being exchanged), so that social relationships become the property of things. But if we leave it at that, then fetishism appears to be merely a mistake: people ascribe false properties to the products of their labor and fail to see that "in reality" a social relationship between people lies behind the relationship between things. Fetishism would therefore be a form of "false consciousness" that merely conceals the "real conditions."¹⁷ If that were the case, then this false consciousness must disappear once the real conditions have been explained. In this reductionist conception of the commodity fetish, important points of Marx's analysis are lost. We will therefore deal with Marx's argumentation in great detail. To offer a better overview, the following is divided into lettered sections.¹⁸

- a. One must first pose the question, where can we pinpoint the "secret" that Marx speaks of in the section heading and that he seeks to decipher? Marx commences with the following:

A commodity appears at first sight an extremely obvious, trivial thing. But its *analysis* brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties. (*Capital*, 1:163, emphasis added)

The commodity is thus only a "very strange" and mysterious thing not in terms of everyday perception, but as a result of the analysis

(as rendered thus far). A table, for example, is "an ordinary, sensuous thing. But as soon as it emerges as a commodity, it changes into a thing, which *transcends sensuousness*" (*Capital*, 1:163). This translation is wrong, Marx literally writes that as a commodity it is changed "into a sensuous extrasensory thing" (*sinnlich übersinnliches Ding*).

To our everyday perception, a table is above all a particular use value. As a commodity, it also has a particular value. Both aspects are not at all mysterious to our spontaneous, everyday consciousness. And the notion that the magnitude of value depends upon the volume of expended labor-time may be accepted or contested, but the circumstance itself is in no way mysterious. The "sensuous extrasensory" character of the commodity is first made clear by analysis: the analysis shows that the value-objectivity of the commodity cannot be expressed within the commodity itself (and is therefore "extrasensory," that is, a "spectral objectivity") but only in another commodity that effectively acts as a direct embodiment of value. The substance of value, abstract labor, was demonstrated to be just as elusive as the objectivity of value. The analysis has thus unearthed a number of disconcerting findings.

- b. Marx then asks, "Whence, then, arises the enigmatic character of the product of labour, as soon as it assumes the form of commodities?," and formulates the following answer:

Clearly it arises from this form itself. The equality of the kinds of human labour takes on a physical form in the equal objectivity of the products of labour as values; the measure of the expenditure of human labour-power by its duration takes on the form of the magnitude of the value of the products of labour; and finally the relationships between the producers, within which the social characteristics of their labours are manifested, take on the form of a social relation between the products of labour.

The mysterious character of the commodity-form consists therefore simply in the fact, that the commodity reflects *the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties* [*gesellschaftliche Natureigenschaften*]

of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation, which exists apart from and outside the producers. (Capital, 1:164-65; emphasis added)

In every social form of production characterized by a division of labor, people stand in a particular social relationship to one another. In commodity production, this social relationship between people appears as a relationship between things: it is no longer people who stand in a specific relationship with one another, but commodities. People's social relationships therefore appear to them as "socio-natural properties" of the products of labor: what Marx means can be demonstrated using the example of value: on the one hand it is clear that "value" is not a natural property of things like weight or color, but on the other, for the people in a commodity-producing society, it seems as if things in a social context automatically possess "value" and therefore automatically follow their own objective laws to which humans must submit. Under the conditions of commodity production, things take on a life of their own, for which Marx only finds a suitable comparison in the "misty realm of religion": in religion, it is the products of the human mind that take on a life of their own, whereas in the world of commodities it is the "products of men's hands" that do so:

I call this the Fetishism which attaches itself to the products of labour, as soon as they are produced as commodities, and is therefore inseparable from the production of commodities. (*Capital*, 1:165)

- c. If fetishism "attaches itself" to commodities, then it must be something more than simply a case of false consciousness; the fetishism must also express an actual situation. And, under the conditions of commodity production, *producers do not relate to one another in a direct, social way*; they first enter into a relationship with one another during the act of exchange—through the products of their labor. That their social relationship to one another appears as a social relationship between things is therefore not at all an illusion. To those

engaged in exchange, writes Marx, "the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material [*dinglich*] relations between persons and social relations between things" (*Capital*, 1:166, emphasis added).

That things have social characteristics under the conditions of commodity production is in no way wrong. What is wrong is the assumption that they possess these social characteristics *automatically*, in *every* social context. Fetishism does not consist of products of labor being regarded as objects of value—in bourgeois society, products of labor that are exchanged are in fact objects of value—but this objectivity of value is considered a "self-evident and nature-imposed necessity" (*Capital*, 1:175).

- d. What must interest commodity owners first and foremost is the value of their commodities. These values are the objective expression of a *social connection produced by humans, but not transparent to them.*

Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. *They do this without being aware of it.* (*Capital*, 1:166, emphasis added)

Commodity producers produce their social connection precisely not as a result of a particular awareness concerning the connection between value and labor, but independent of such awareness. It would therefore be completely wrong to understand Marx's theory of value as claiming that people exchange their commodities according to their values because they know how much labor is contained within the individual products. It is Marx's intent to show that humans act *without* being aware of the conditions of their action.

- e. This unconsciously produced fetishism is not simply a state of false

consciousness, but rather possesses material force. Whether my individually expended labor is recognized as a component of the total labor of society, and to what degree, is not information provided to me directly by society, but by the value of my commodity in exchange. And my prosperity or misfortune depends upon this information. But the magnitudes of value of commodities

vary continually, independently of the will, foreknowledge and actions of the exchangers. *Their own movement within society has for them the form of a movement made by things, which far from being under their control, in fact control them.* (*Capital*, 1:169-70; emphasis added)

The value of commodities is an expression of an overwhelming social interaction that cannot be controlled by individuals. In a commodity-producing society, people (all of them!) are under the control of things, and the decisive relations of domination are not personal but "objective" (*sachlich*). This impersonal, objective domination, submission to "inherent necessities," does not exist because things themselves possess characteristics that generate such domination, or because social activity necessitates this mediation through things, but only because *people relate to things in a particular way—as commodities.*

- f. That this objective domination (*sachliche Herrschaft*) and the objectification of social relationships to properties of things is a result of a specific behavior of humans is not transparent to everyday consciousness. For this spontaneous consciousness, "forms which stamp products as commodities . . . possess the fixed quality of *natural forms of social life*" (*Capital*, 1:168; emphasis added). In addition to everyday consciousness, classical political economy (and modern neoclassical economics) labors under the delusion of these forms. However, this delusion is not the result of the subjective delusion of individual economists. Marx emphasizes that this delusion is itself based upon a specific *objectivity* and therefore has a certain necessity:

The categories of bourgeois economics consist precisely of forms of this

kind. They are *forms of thought* which are *socially valid, and therefore objective* [*gesellschaftlich gültige, also objektive Gedankenformen*], for the relations of production belonging to this historically determined mode of social production, i.e. commodity production. (*Capital*, 1:169; emphasis added)

These “objective forms of thought” constitute what individual economists perceive as a matter of course to be the *immediate, obvious object* of political economy. In this passage it becomes clear what Marx meant by “critical exposé of the system of the bourgeois economy” in his letter to Lassalle (quoted in section 2.2): the *critique of bourgeois categories* is not an abstract exercise in the philosophy of science, but is rather inseparable from it.

The various schools of political economy do not engage in debate concerning the *form-determinations* of their subject matter, but rather concerning the *content of these form-determinations*. In contrast, Marx renders a fundamental critique, a critique applied to the foundations of bourgeois economics: Marx criticizes forms that are always *presupposed* by bourgeois economics:

Political economy has indeed analysed value and its magnitude, however incompletely, and has uncovered the content concealed within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product. (*Capital*, 1:173–74)

Because value-objectivity (*Wertgegenständlichkeit*) is a result of very specific behavior by human beings, namely producing things privately and exchanging them, this correlation is not apparent to either spontaneous, everyday consciousness or to political economists. Both see in the commodity form a “socio-natural property” (*gesellschaftliche Natureigenschaft*). In this respect, both everyday consciousness and the science of economics remain imprisoned within this fetishism. As Marx makes this fetishism recognizable, he not only provides the

foundations for a critique of consciousness and the fields of knowledge, he makes clear that social relationships must in no way remain the way they are: the rule of value over humans is not a natural law of society, but the result of a very specific behavior by humans, and this behavior can—at least in principle—be changed. A society without commodities and money is conceivable.

- g. Fetishism is not limited to the commodity. It is also inherent to money. Money as an *independent* manifestation of value possesses a special form of value: it exists in the form of the general equivalent; all other commodities do not. The special commodity (or piece of paper) that functions as money can only function as money *because* all other commodities relate to it as money. However, the form of money appears to be a “socio-natural property” of this commodity.

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. *The movement through which this process has been mediated vanishes in its own result, leaving no trace behind.* Without any initiative on their part, the commodities find their own value-configuration ready to hand, in the form of a physical commodity existing outside but also alongside them. (*Capital*, 1:187; emphasis added)

What applies to the commodity also applies to money: only as a result of the specific behavior of commodity owners does money possess its specific properties. But this mediation is no longer visible, it “vanishes.” For that reason, it seems as if money possesses these properties in and of itself. In the case of money, whether it is a money commodity or a piece of paper, a social relationship appears as an objective property of a thing. And just as with the commodity, social actors do not have to be aware of the mediating relation in order to act: “Anyone can use money as money without necessarily understanding what money is” (*Theories of Surplus Value*, MECW 32:348).

- h. The "absurdity" [*Verrücktheit*] (*Capital*, 1:169) of this reification of social relationships is increased in the case of money. If products of labor are turned into commodities, they acquire a value-objectivity in addition to their physical objectivity as use values. This value-objectivity, as illustrated above, is a "spectral objectivity," apparently just as objective as use value but nonetheless not tangible or visible within the individual object. But money now counts as an *independent* manifestation of value. Whereas commodities are useful objects that *additionally* have the objective status of being values, money is *directly* a "value-thing" (*Wertding*). In the first edition of volume 1 of *Capital*, Marx makes this point clear using a nice example:

It is as if, in addition to lions, tigers, hares and all other really existing animals which together constitute the various families, species, sub-species, etc. of the animal kingdom, *the animal* would also exist, the individual incarnation of the entire animal kingdom. (MEGA II.5:37; emphasis in original)

That "the animal" walks about among the various concrete animals is not only factually impossible, it is also logical nonsense: the abstract category is placed at the same level as the individuals from which the abstract category is derived. But money is the real existence of this absurdity.

- i. In bourgeois society, people's spontaneous consciousness succumbs to the fetishism of the commodity and money. The rationality of their behavior is always a sort of rationality *within the framework set by commodity production*. If the intentions of social actors (that which they "know") are made the point of departure of analysis (as is the case in neoclassical economics and various sociological theories), then that which individuals "don't know," the framework that preconditions their thought and activity, is blanked out of the analysis from the very start. Proceeding from this consideration, not only can we criticize a considerable portion of the foundations of bourgeois economics and sociology but also a popular argument of worldview

Marxism: namely that there exists a social subject (the working class), which, on the basis of its particular position in bourgeois society, possesses a *special* ability to see through social relationships. Many representatives of traditional Marxism expressed the need to “take the standpoint of the working class” in order to understand capitalism. But in doing so, they overlooked the fact that workers (just like capitalists) in their spontaneous consciousness are also subject to the delusions of the commodity fetish. In the next few chapters, we’ll see that the capitalist mode of production brings forth other inversions and absurdities to which both workers and capitalists succumb. One cannot therefore speak of a *privileged* position of perception occupied by the working class—but one also cannot make the claim that fetishism is in principle impenetrable.

