

Marx's Theory of Money

Tomás Rotta

[University of Greenwich, London, UK](#)

[GPERC](#)

[marx21.com](#)

May 2016

Marx's Theory of Money

Lecture Plan

1. Introduction
2. Marxist terminology
3. Marx and Hegel
4. Marx's system of categories, and the Autonomization of Value
5. The concept of money
6. Comparison with other theories
7. Suggested readings

Introduction

Introduction

Central question

What does Marx mean by money?

Is Marx's concept of money relevant today?

Yes, I believe, for one main reason:

Because Marx's theory can still uncover substantive aspects of present-day capitalism

Has Marx's concept of money been adequately understood?

No

Introduction

On 18/06/2007 George Soros came to Brazil and gave a long interview on Roda Vida [[link to video](#)]

He was asked:

“Soros, why do you accumulate so much personal wealth?”

Soros replied:

“I was searching for the Truth and I found **Money**”

Marxist Terminology

Marxist Terminology

Concept

Rational dynamic conception of an object's content

Dialectical moment of science (belongs to dialectical discourse)

The development (or unfolding) of the concept take place via the constitution of its categories, each with its singular determinations

Categories

The moments of the concept

Analytical moment of science (belongs to representative understanding)

Determinations

What makes one category different from another category

Content of the categories

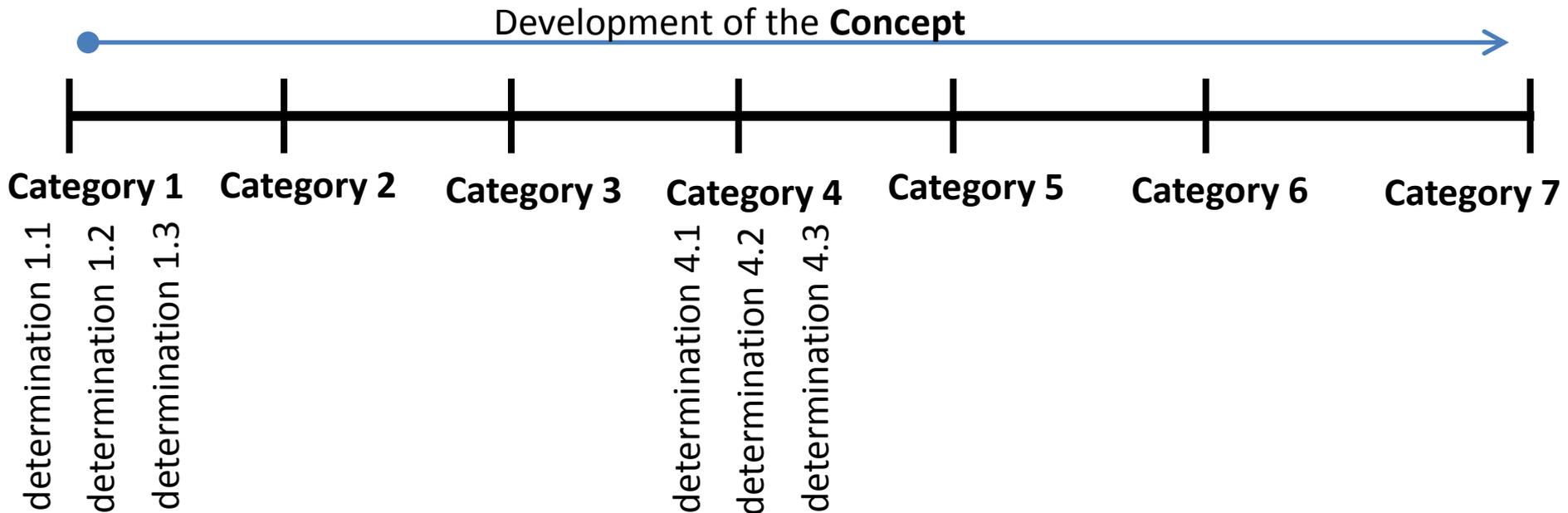
Singular representative content of the categories

Marxist Terminology

Science

A theoretical **system** that organizes the successions and connections, without leaps, between and across all categories

The rational construction of the **categories** (each with its singular **determinations**) that constitute the development of the **concepts**



Marxist Terminology

Wealth

Anything that is useful but requires labor to be produced
(something that is useful but requires no labor to be produced is not wealth)

Mode of production

The way in which humans create and distribute wealth
Technology + Institutions (the explicit and implicit rules of the game)

Social Formation

Co-existence of different modes of production

Ex: Cotton production under slavery supplied cheap inputs to capitalist textile factories

Marxist Terminology

Social Form

Marx follows Hegel in distinguishing between form and content

It works for tangible stuff

Like marble (the content) that is carved in different forms: statues or walls

But Hegel claims that it works for intangible stuff too

Like social relations

Human labor (the content) can exist under different social forms:
wage labor, slavery, serfdom, cooperatives, self-managed enterprises

Marxist Terminology

Form of Appearance

Certain objects and relations do not appear directly as they are, but actually through a form of appearance

Exchange-value is the form of appearance of value

Profit is the form of appearance of surplus value

Exploitation

The producers of wealth are not the appropriators of the wealth they produced

‘Paying to work’

If wealth producers \neq wealth appropriators \rightarrow exploitation

Note: wealth **producers**, wealth **appropriators**, wealth **consumers**

Marxist Terminology

Commodity

The social form of the products of human labor when they are produced for profit

Value

The social form of labor

Use-value

The usefulness of something produced by labor

The support for value (no use-value, no value)

Exchange-value

The form of appearance of value in exchange

(value and exchange-value are not the same)

Marxist Terminology

Fetishism

Confusion between the form of labor (value) and its support (use-value)

Confusion between value and use-value

To treat as natural what is in fact socially contrived

Money

Value as a thing in itself

Objectified value

Autonomized value

Capital

Self-valorizing value

Marxist Terminology

Surplus

The income that labor generates above and beyond its compensation

What workers pay to work

Can be measured as surplus product, surplus income, or surplus time

Surplus Value

The social form that the surplus takes in capitalism

Profit

In capitalism, it is the form of appearance of surplus value

(However, not all profits come from surplus value. If you pay interest on a mortgage, the profit that the bank makes does not come from surplus value)

Marxist Terminology

Productive Activities

Activities that produce a surplus

Activities that produce surplus value, in capitalism

Unproductive Activities

Activities that do not produce a surplus

Activities that do not produce surplus value, in capitalism

Productive labor

Labor that produces a surplus

Unproductive labor

Labor that does not produce a surplus

Marxist Terminology

Interest

Payment for a lent sum of value

Interest-bearing Capital

Capital that lives on interest

An amount of value that is traded as if it were a commodity

Loans, endogenous credit creation

Interest-bearing capital does not need to be in monetary form

It can be a machine too (leasing or renting fixed capital)

The payment for the lent sum of value is called interest

Marxist Terminology

Rent

Extra payment for a monopolized resource

Rent-bearing Capital

Capital that live on rents

Fictitious Value

Claims on future (yet unrealized) values

Fictitious Capital

Capital that lives on fictitious values

Marxist Terminology

Commodity

The social form that the output of labor takes when it is produced for profit

The commodity form has a double determination:

Value:

- abstract** or **general** character

- all commodities are products of human labor

- the outcome of the **abstract character of labor**

Use-value:

- concrete** or **complex** or **particular** character

- what makes a commodity singular, particularly different from others

- the outcome of the **concrete character of labor**

Marx and Hegel

Marx and Hegel

Marx did his PhD where Hegel had been a professor (Jena and Berlin)

Marx was a student of Hegel's students (Bauer, Feuerbach, Stirner)

Marx constantly used Hegelian language

... while still trying to break away from Hegelianism

But there are some aspects of Hegelian philosophy that Marx does retain:

Form and content, including **social forms**

Phenomenon and essence

Subject and substance

Dialectics

Contradiction

Marx and Hegel

One idea from Hegel that Marx does retain is crucial:

As for Hegel, for Marx not all objects are contradictory

Some objects are contradictory

But not all of them

Marx and Hegel

Types of relations between objects:

Difference

Things are just different

ex: table and chair, black and yellow

Opposition

External negation

The negation of one object gives you another object

ex: male and female

Contradiction

Self-negation: the object negates itself

Productive negation

Internal negation that produces a new object

ex: money as a means and end-in-itself at the same time

Marx and Hegel

So what is dialectics?

Dialectics

Logic of contradictory objects

Logic of **self-negating objects**

Scientific discourse necessary for the conceptualization of contradictory entities

For Hegel and Marx, it is the **contradiction (the self-negation) that sets a concept into motion** in the real world

Marx and Hegel

For Hegel and Marx, it is the **contradiction (the self-negation) that sets the concept into motion** in the real world

ex:

What sets the **concept of capital** into motion is the contradiction between **living labor** and **past (or dead) labor**

Living labor self-negates when itself produces **value**, its own internal negation

Value (as past or dead labor) is the self-negation of the **living labor** that produces it

Capital unfolds as a permanent contradiction between **living labor** (that creates value) and **dead labor** (as past labor, the product of past living labor)

Marx and Hegel

Another idea that Marx retains from Hegel is that a **contradiction is not solved** but actually **displaced to another level**

A contradiction at one level of abstraction is 'solved' by moving into a more concrete (less abstract) level

Concrete = '**complex**' = synthesis of multiple determinations = unity of diversity

Abstract = '**simple**' = one determination that is isolated from the other determinations

Both Marx and Hegel structure their conceptual analyses in **levels of abstraction**, from **simplicity** to **complexity**



**Marx's System of Categories
and
The Autonomization of Value**

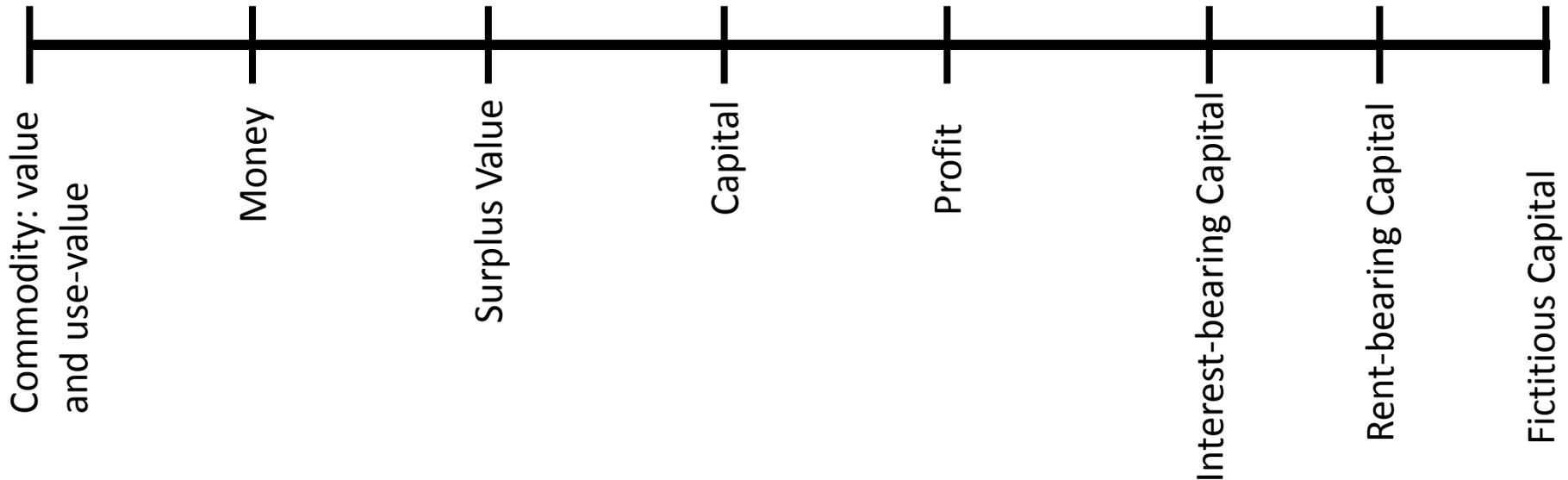
System of Categories

Conceptual analysis:

from abstraction to concreteness

from simplicity to complexity

“Mode of presentation or exposition” [*Darstellung*]

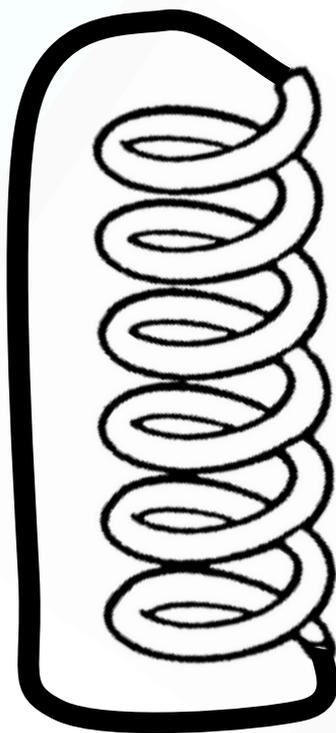
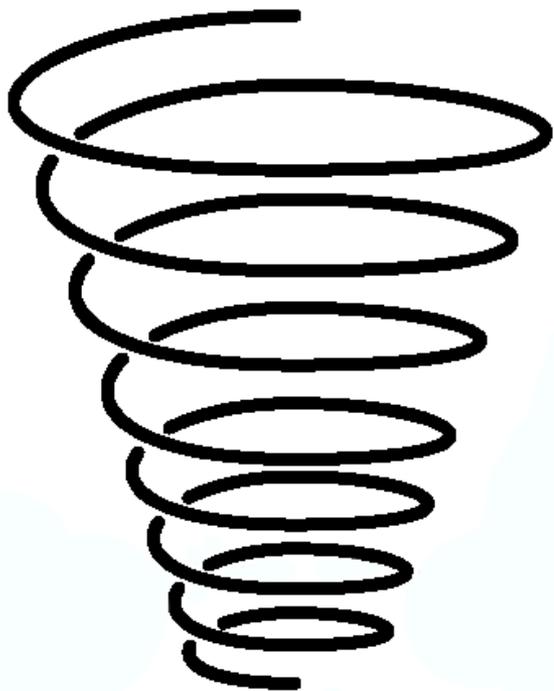


Forms of value:

from more concrete forms to more abstract forms of value

“Autonomization” [*Verselbstständigung*]

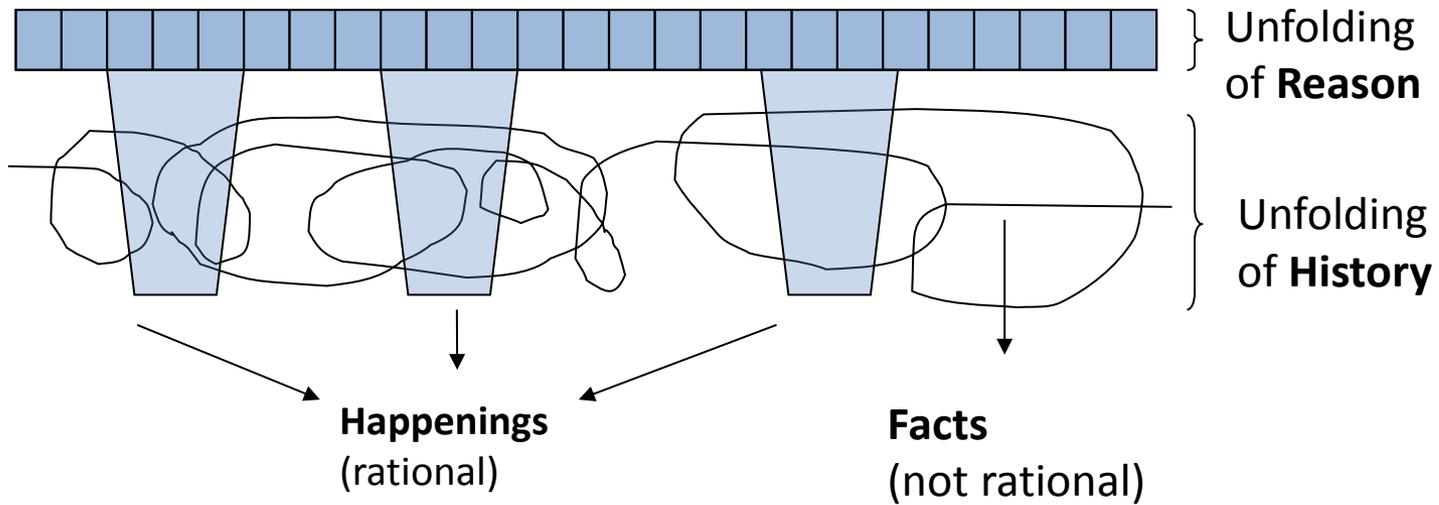
System of Categories



System of Categories

Capital, as self-valorizing value, does not just comprise class relations, a definite social character that depends on the existence of labor as wage-labor. It is **a movement,** a circulatory process through different stages ... Hence it can only be grasped as a **movement, and not as a static thing.** Those who consider the *autonomization [Verselbstständigung] of value* as a mere abstraction forget that the movement of industrial capital is this *abstraction in action.* Here *value passes through different forms,* different movements in which it is both preserved and increases, is valorized. (Marx, 1992, p.185 – emphasis added)

System of Categories



The Concept of Money

Marx's Concept of Money

Wealth = anything that is useful but requires labor to be produced

In capitalism, **wealth** is produced under a particular form:

The **commodity form**

Commodity = a useful product of human labour that is produced for profit

Marx's Concept of Money

The **commodity** has a double determination:

1. It must be something **useful** = **use-value**
2. It requires **labour** to be produced = **value**

The double determination of the commodity is also the **double determination of human labour**:

1. Labour that produces a **specific use-value** = **concrete labour**
2. Labour that produces **value in general** = **abstract labour**

Marx's Concept of Money

What makes each commodity a particular product is the **concrete labour** that produces a specific **use-value**

What all commodities have in common is that all of them are products of **abstract labour** that produces **value**

Value is the **abstract universal** dimension that is **common** to every **particular concrete use-value**

Marx's Concept of Money

Value is the **abstract universal** dimension that is **common** to every **particular concrete use-value**

Money:

- 1. Objectified value**
2. Autonomized value
- 3. Value that became a thing in itself**
4. Objectified abstract wealth
5. The transformation of what is common to all commodities (value) into a thing
- 6. Objectification of a social relation**
7. Abstract wealth that has a concrete existence as a particular thing

Marx's Concept of Money



**The
Fruit**



abstract generality that has a concrete existence
objectification of an abstraction
abstraction that exists in itself

The apple



concrete use-value

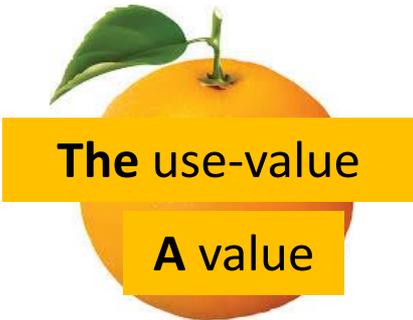
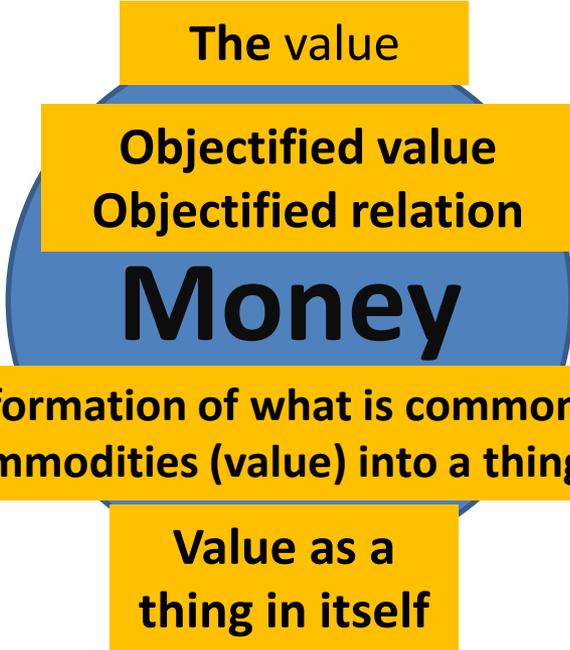
The orange

A fruit



abstract generality

A fruit



Marx's Concept of Money

Money:

the **social form of labor** (i.e. value) that exists in itself as a **thing**

“Money necessarily crystallizes out of the process of exchange, in which different products of labor are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the *drive towards an independent form of value*, which neither finds rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and **money**.” (Marx, 1990, p.181 – emphasis added)

Marx's Concept of Money

But in what way are gold and silver distinguished from other forms of wealth? Not by magnitude, for this is determined by the amount of labor embodied in them. But rather as ***autonomous embodiments and expressions of the social character of wealth.*** This social existence that it has thus appears as something beyond, as a ***thing, object*** or commodity ***outside and alongside*** the real elements of social wealth. ... ***[T]he social form of wealth exists alongside wealth itself as a thing.*** (Marx, 1994, pp.707-708 – emphasis added)

“[money is] the **abstract-autonomous form** of exchange value or of general wealth” (Marx, 1973, p.345)

Marx's Concept of Money

The product becomes a commodity; the commodity becomes exchange value; the exchange value of the commodity is its immanent money-property; this, its money-property, separates itself from it in the **form of money**, and achieves a **general social existence separated from all particular commodities and their natural mode of existence** (Marx, 1973, pp.146-147).

It is the foundation of capitalist production that **money** confronts commodities as an ***autonomous form of value***, or that exchange-value must obtain an ***autonomous form*** in money (Marx, 1994, pp.648-649 – emphasis added).

Marx's Concept of Money

Money is the **independent existence of exchange value**. Viewed from the angle of its quality, it is the *material representative of abstract wealth*, the *material existence of abstract wealth*. To make money by means of money is the purpose of the capitalist production process — the increase of *wealth in its general form*, of the quantity of *objectified social labor* which is, as this labor, expressed in money. Whether the existing values figure merely as money of account in the ledger, or in whatever other form, as tokens of value, etc., is initially a matter of indifference. Money appears here only as the *form of independent value* (Marx 1988, p.99 – emphasis added).

Marx's Concept of Money

As long as the ***social character of labor*** appears as the *monetary existence* of the commodity and hence as a ***thing*** outside actual production, monetary crises, independent of real crises or as an intensification of them, are unavoidable (Marx, 1994, p.649 – emphasis in the original).

Marx's Concept of Money

Money is also a contradictory concept in itself

Because its particular **determinations** make it **self-negating**:

Money as Currency (or 'coin')

Money as an intermediary

C-**M**-C circuit

Money as Money

Money as an end in itself

Money as the final purpose

Money as money negates money as currency

M-C-M circuit

[Note the structure of Chapter 3 from Volume I of Capital](#)

Marx's Concept of Money

Money in its third quality, as something which **autonomously** arises out of and **stands against circulation**, therefore still **negates its character as coin**. [...] **Money is the negation of the medium of circulation as such, of the coin**. But it also contains the latter at the same time as an aspect, negatively, since it can always be transformed into coin (Marx, 1973, pp.226-228).

“Instead of being merely a way of **mediating** the metabolic process, this change of form becomes **an end in itself**” (Marx, 1990, p.228).

Marx's Concept of Money

[M]oney, the independent form of exchange-value, is the starting-point, and the increase of exchange-value the independent purpose. Commodity exchange itself, and the operations that mediate it — **separated from production and performed by non-producers** — becomes simply a means of increasing wealth, and not just wealth, but **wealth in its general social form** as exchange-value (Marx, 1994, p.443).

Marx's Concept of Money

When money becomes the end of circulation it then paves the way for the origin of **capital**, of

“autonomous exchange value (money) as a process” (Marx, 1973, p.305).

[**Capital**] is not only an **independent expression of value** as in **money**, but **dynamic value**, value which maintains itself in a process in which use-values pass through the most varied forms. Thus *in capital the independent existence of value is raised to a higher power than in money* (Marx, 1989, p.318 – emphasis added).

Marx's Concept of Money

[T]he relation between surplus value and the variable part of capital is an organic one. In fact it expresses the secret of the formation and growth, of the existence of capital as capital. This organic relation is extinguished in the relation between profit and capital. Surplus value obtains ***a form in which the secret of its origin is no longer hinted at with the slightest trace***. Since all parts of capital equally appear as the basis of the newly created value, the capital-relation becomes a complete mystification. (Marx, 1991, p. 70 – emphasis added)

“[S]urplus-value ***denies its own origin*** in this, its **transformed form**, which is profit; it loses its character and becomes unrecognizable. (Marx, 1994, p.267 – emphasis added)

Marx's Concept of Money

In commercial and money-dealing capital, rather, the distinctions between industrial capital as productive capital and the same capital in the sphere of circulation attain **autonomy** in the following way: the specific forms and functions that capital temporarily assumes in the latter case come to **appear as independent forms** and functions of a part of the capital that has separated off and become completely confined to this sphere. (Marx, 1994, p.440 – emphasis added)

Despite the **autonomy** it has acquired, the movement of commercial capital is never anything more than the movement of industrial capital within the circulation sphere. But by virtue of this autonomy, **its movement is within certain limits independent of the reproduction process** and its barriers, and hence it also drives this process beyond its own barriers. This **inner dependence** in combination with **external autonomy** drives commercial capital to a point where the inner connection is forcibly re-established by way of a **crisis**. (Marx, 1994, p.419 – emphasis added)

“definite part of the total capital now **separates off and becomes autonomous** in the form of money capital ... in the course of its reproduction process” (Marx, 1994, p.431 – emphasis added).

Marx's Concept of Money

All that we are concerned with here is the *independent form of interest-bearing capital* and the way that *interest acquires autonomy vis-à-vis profit*. (Marx, 1994, p.480) The general question of how gross profit is differentiated into interest and profit of enterprise comes down simply to the question of how a part of the gross profit is invariably ossified and *autonomized as interest*. (p.499 – emphasis added)

The division of profit into profit of enterprise and interest (not to speak of the intervention of commercial profit and money-dealing profit, which are founded in the circulation sphere and seem to derive entirely from this, and not from the production process itself at all) completes the *autonomization of the form of surplus-value*, the *ossification of its form as against its substance* ... One portion of profit, in contrast to the other, *separates itself* completely from the capital relation as such and *presents itself as deriving not from the function of exploiting wage-labor* [...] [P]rofit still retains a memory of its origin which in interest is not simply obliterated but actually *placed in a form diametrically opposed to this origin*. (Marx, 1994, p.968 – emphasis added)

Marx's Concept of Money

If ... capital comes up against an alien power that it can overcome only partly or not at all, a power which restricts its investment in particular spheres of production, allowing this only under conditions that completely or partially exclude that general equalization of surplus-value to give the average profit, it is clear that in these spheres of production a **surplus profit** will arise, ... this being ***transformed into rent and as such becoming autonomous vis-à-vis profit***. (Marx, 1994, p.896 – emphasis added)

[T]he **form of mutual alienation and ossification** of the various portions of surplus-value is complete, the ***inner connection*** definitively torn asunder and ***its source completely buried***, precisely through the assertion of their ***autonomy vis-à-vis each other*** by the various relations of production which are bound up with the different material elements of the production process. (Marx, 1994, p.968 – emphasis added)

Marx's Concept of Money

“individuals are now **ruled by abstractions**, whereas earlier they depended on one another” (Marx, 1973, p.164)

All quotes from:

Rotta, T. and Teixeira, R. (2015) The Autonomisation of Abstract Wealth: New Insights on the Labour Theory of Value. *Cambridge Journal of Economics*.

[PDF available here: <http://marx21.com/texts/>]

Comparison with other Theories of Money

Comparison with other Theories

What **Marx** understand by **money** is very different from what you find in other approaches

For Marx, money is the **autonomized existence of value (a social relation) as an independent thing.**

Money is a **contradictory object** because it is self-negating as both an intermediary and an end-in-itself

The contradiction of money is that its own determinations are self-negating

For Marx, money is **ontologically** connected to value and to capital

Marx theorizes money within a **system of categories**

Comparison with other Theories

In most of the mainstream you usually find the following ideas:

Money is just a **veil** (neutral money does not affect the real side)

Money is just an **intermediary**

A monetary economy is not different from a **barter economy**

Money **facilitates exchanges** but it is **not an end in itself**

But then you also find in the mainstream that:

Money is an **asset** (like in forex markets)

If money is an asset, then it **cannot be an intermediary**

If money is an asset, then it **cannot be neutral as a veil**

Comparison with other Theories

In Keynesian or post-Keynesian theory:

Money is a **financial asset**

Money is both an **intermediary** for transactions

And an **end in itself** (store of value + speculation)

Keynes himself had read and understood very well what Marx meant by **C-M-C** and **M-C-M**

Keynes called M-C-M a “monetary production system”

But Keynes was not explicit about **value theory**

Comparison with other Theories

My personal belief is that **money** needs to be understood using the contributions of:

Marx, Keynes, Schumpeter, and Minsky

But a proper understanding of money does requires a **value theory**

Because value theory tells you how **wealth** is produced, appropriated, and distributed

Money should be understood as a moment of capital in its process of **autonomizing the forms of value from their own origins**

Further Readings

References

- Hegel, G. W. F.** (1976). *Phenomenology of Spirit*. Oxford University Press. [Preface and Introduction]
- Marx, K.** (1973). *Grundrisse: Foundations of the Critique of Political Economy (1857-58)*. London: Penguin Books. [Chapter on Money, pp.115-238]
- Marx, K.** (1990). *Capital I*. London: Penguin Books. [Chapters 1, 2, 3, and 4]
- de Brunhoff, S.** (1976). *Marx on Money*. Urizen Books. [All chapters]
- Rozdolski, R.** (1989). *The Making of Marx's 'Capital'*. London: Pluto Press. [Part II, pp.97-166]
- Rotta, T. and Teixeira, R.** (2015) The Autonomisation of Abstract Wealth: New Insights on the Labour Theory of Value. *Cambridge Journal of Economics*. [PDF available here: <http://marx21.com/texts/>]
- Paulani, L. M.** (2014) Money in contemporary capitalism and the autonomisation of capitalist forms in Marx's theory. *Cambridge Journal of Economics*. <http://cje.oxfordjournals.org/content/38/4/779.abstract>
- Dussel, E.** (2001) *Towards an Unknown Marx*. London, Routledge.