Chapter 3: Money, or the Circulation of Commodities

I. THE MEASURE OF VALUES

Throughout this work I assume that gold is the money commodity, for the sake of simplicity.

The first main function of gold is to supply commodities with the material for the expression of their values, or to represent their values as magnitudes of the same denomination, qualitatively equal and quantitatively comparable. It thus acts as a universal measure of value, and only through performing this function does gold, the specific equivalent commodity, become money.

It is not money that renders the commodities commensurable. Quite the contrary. Because all commodities, as values, are objectified human labour, and therefore in themselves commensurable, their values can be communally measured in one and the same specific commodity, and this commodity can be converted into the common measure of their values, that is into money. Money as a measure of value is the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time.

1. The question why money does not itself directly represent labour-time, so that a piece of paper may represent, for instance, x hours' labour, comes down simply to the question why, on the basis of commodity production, the products of labour must take the form of commodities. This is obvious, because their taking the form of commodities implies their differentiation into commodities [on the one hand] and the money commodity [on the other]. It is also asked why private labour cannot be treated as its opposite, directly social labour. I have elsewhere discussed exhaustively the shallow utopianism of the idea of 'labour-money' in a society founded on the production of commodities (op. cit., p. 61 ff.)* On this point I will only say further that Owen's 'labour money', for instance, is no more 'money' than a theatre ticket is. Owen presupposes directly socialized labour, a form of production diametrically opposed to the production of commodities. The certificate of labour is merely

*English translation, pp. 83 ff.
The expression of the value of a commodity in gold \( x \) commodity \( A = y \) money commodity is its money-form or price. A single equation, such as 1 ton of iron = 2 ounces of gold, now suffices to express the value of the iron in a socially valid manner. There is no longer any need for this equation to figure as a link in the chain of equations that express the values of all other commodities, because the equivalent commodity, gold, already possesses the character of money. The general relative form of value of commodities has therefore resumed its original shape of simple or individual relative value. On the other hand, the expanded relative expression of value, the endless series of equations, has now become the specific relative form of value of the money commodity. However, the endless series itself is now a socially given fact in the shape of the prices of the commodities. We have only to read the quotations of a price-list backwards, to find the magnitude of the value of money expressed in all sorts of commodities. As against this, money has no price. In order to form a part of this uniform relative form of value of the other commodities, it would have to be brought into relation with itself as its own equivalent.

The price or money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form; it is therefore a purely ideal or notional form. Although invisible, the value of iron, linen and corn exists in these very articles: it is signified through their equality with gold, even though this relation with gold exists only in their heads, so to speak. The guardian of the commodities must therefore lend them his tongue, or hang a ticket on them, in order to communicate their prices to the outside world.\(^2\) Since the expression of the value of commodi-

evidence of the part taken by the individual in the common labour, and of his claim to a certain portion of the common product which has been set aside for consumption. But Owen never made the mistake of presupposing the production of commodities, while, at the same time, by juggling with money, trying to circumvent the necessary conditions of that form of production.

2. Savages and semi-savages use the tongue differently. Captain Parry says of the inhabitants of the west coast of Baffin’s Bay: *In this case (the case of barter) they licked it (the thing represented to them) twice to their tongues, after which they seemed to consider the bargain satisfactorily concluded.* In the same way, among the Eastern Eskimo, the exchanger licked each article on

ties in gold is a purely ideal act,* we may use purely imaginary or ideal gold to perform this operation. Every owner of commodities knows that he is nowhere near turning them into gold when he has given their value the form of a price or of imaginary gold, and that it does not require the tiniest particle of real gold to give a valuation in gold of millions of pounds' worth of commodities. In its function as measure of value, money therefore serves only in an imaginary or ideal capacity. This circumstance has given rise to the wildest theories. But, although the money that performs the functions of a measure of value is only imaginary, the price depends entirely on the actual substance that is money. The value, i.e., the quantity of human labour, which is contained in a ton of iron is expressed by an imaginary quantity of the money commodity which contains the same amount of labour as the iron. Therefore, according to whether it is gold, silver or copper which is serving as the measure of value, the value of the ton of iron will be expressed by very different prices, or will be represented by very different quantities of those metals.

If therefore two different commodities, such as gold and silver, serve simultaneously as measures of value, all commodities will have two separate price-expressions, the price in gold and the price in silver, which will quietly co-exist as long as the ratio of the value of silver to that of gold remains unchanged, say at 15 to 1. However, every alteration in this ratio disturbs the ratio between the gold-prices and the silver-prices of commodities, and thus proves in fact that a duplication of the measure of value contradicts the function of that measure.

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* In other words, it is an act which takes place entirely in the mind, and involves no physical transaction. 

1. See Karl Marx, 'Theories of the Standard of Money', pp. 53 ff. [English translation, pp. 76 ff.]
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Commodities with definite prices all appear in this form: a commodity \( A = x \) gold; \( b \) commodity \( B = y \) gold; \( c \) commodity \( C = z \) gold, etc., where \( a, b, c \) represent definite quantities of the commodities \( A, B, C \) and \( x, y, z \) definite quantities of gold. The values of these commodities are therefore changed into imaginary quantities of gold of different magnitudes. Hence, in spite of the confusing variety of the commodities themselves, their values become magnitudes of the same denomination, gold-magnitudes. As such, they are now capable of being compared with each other and measured, and the course of development produces the need to compare them, for technical reasons, with some fixed quantity of gold as their unit of measurement. This unit, by subsequent division into aliquot parts, becomes itself the standard of measurement. Before they become money, gold, silver and copper already possess such standards in their weights, so that, for example, a pound, which serves as a unit of measurement, can on the one hand be divided into ounces, and on the other hand be

same substance. If one assumes that a given labour-time must invariably be objectified in the same proportion in silver and gold, then one assumes, in fact, that gold and silver are the same substance, and that silver, the less valuable metal, represents a constant fraction of gold. From the reign of Edward III to the time of George II, the history of money in England consists of one long series of perturbations caused by the clash between the legally fixed ratio between the values of gold and silver, and the fluctuations in their real values. At one time gold was too high, at another, silver. The metal that was estimated below its value was withdrawn from circulation, melted down and exported. The ratio between the two metals was then again altered by law, but the new nominal ratio soon came into conflict, in its turn, with the real ratio. In our own times, the slight and transient fall in the value of gold compared with silver, which was a consequence of the Indian and Chinese demand for silver, produced on a far more extended scale in France the same phenomena, export of silver, and its expulsion from circulation by gold. During the years 1855, 1856 and 1857, the excess in France of gold-imports over gold-exports amounted to £41,580,000, while the excess of silver-exports over silver-imports came to £34,704,000. In fact, in countries in which both metals are legally measures of value, and therefore both legal tender, so that everyone has the option of paying in either metal, the metal that rises in value is at a premium, and, like every other commodity, measures its price in the over-valued metal which alone serves in reality as the measure of value. All the experience of history in this area can be reduced simply to this fact, that where two commodities perform by law the functions of a measure of value, in practice only one maintains that position' (Karl Marx, op. cit., pp. 52–3) [English edition, pp. 75–6].
combined with others to make up hundredweights. It is owing to this that, in all metallic currencies, the names given to the standards of money or of price were originally taken from the pre-existing names of the standards of weight.

As measure of value, and as standard of price, money performs two quite different functions. It is the measure of value as the social incarnation of human labour; it is the standard of price as a quantity of metal with a fixed weight. As the measure of value it serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. The measure of values measures commodities considered as values; the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another. For the standard of price, a certain weight of gold must be fixed as the unit of measurement. In this case, as in all cases where quantities of the same denomination are to be measured, the stability of the measurement is of decisive importance. Hence the less the unit of measurement (here a quantity of gold) is subject to variation, the better the standard of price fulfils its office. But gold can serve as a measure of value only because it is itself a product of labour, and therefore potentially variable in value.

It is, first of all, quite clear that a change in the value of gold in no way impairs its function as a standard of price. No matter how the value of gold varies, different quantities of gold always remain in the same value-relation to each other. If the value of gold fell by 1,000 per cent, 12 ounces of gold would continue to have twelve times the value of one ounce of gold, and when we are dealing with prices we are only concerned with the relation between different quantities of gold. Since, on the other hand, an ounce of gold undergoes no change in weight when its value rises or falls, no

5. The peculiar circumstance that while the ounce of gold serves in England as the unit of the standard of money, it is not divided up into aliquot parts, has been explained as follows: ‘Our coinage was originally adapted to the employment of silver only, hence an ounce of silver can always be divided into a certain adequate number of pieces of coin; but as gold was introduced at a later period into a coinage adapted only to silver, an ounce of gold cannot be coined into an aliquot number of pieces’ (Maclaren, A Sketch of the History of the Currency, London, 1858, p. 16).

6. With English writers the confusion over measure of value and standard of price (‘standard of value’) is indescribable. Their functions, and therefore their names, are constantly interchanged.
change can take place in the weight of its aliquot parts. Thus gold always renders the same service as a fixed measure of price, however much its value may vary. Moreover, a change in the value of gold does not prevent it from fulfilling its function as measure of value. The change affects all commodities simultaneously, and therefore, other things being equal, leaves the mutual relations between their values unaltered, although those values are now all expressed in higher or lower gold-prices than before.

Just as in the case of the estimation of the value of a commodity in the use-value of any other commodity, so also in this case, where commodities are valued in gold, we assume nothing more than that the production of a given quantity of gold costs, at a given period, a given amount of labour. As regards the fluctuations of commodity prices in general, they are subject to the laws of the simple relative expression of value which we developed in an earlier chapter.

A general rise in the prices of commodities can result either from a rise in their values, which happens when the value of money remains constant, or from a fall in the value of money, which happens when the values of commodities remain constant. The process also occurs in reverse: a general fall in prices can result either from a fall in the values of commodities, if the value of money remains constant, or from a rise in the value of money, if the values of commodities remain constant. It therefore by no means follows that a rise in the value of money necessarily implies a proportional fall in the prices of commodities, or that a fall in the value of money implies a proportional rise in prices. This would hold only for commodities whose value remains constant. But commodities whose value rises simultaneously with and in proportion to that of money would retain the same price. And if their value rose either slower or faster than that of money, the fall or rise in their prices would be determined by the difference between the path described by their value and that described by the value of money. And so on.

Let us now go back to considering the price-form. For various reasons, the money-names of the metal weights are gradually separated from their original weight-names, the historically decisive reasons being: (1) The introduction of foreign money among less developed peoples. This happened at Rome in its early days, where gold and silver coins circulated at first as foreign commodities. The names of these foreign coins were different from those of the indigenous weights. (2) With the development of material wealth,
the more precious metal extrudes the less precious from its function as measure of value. Silver drives out copper, gold drives out silver, however much this sequence may contradict the chronology of the poets. The word pound, for instance, was the money-name given to an actual pound weight of silver. As soon as gold had driven out silver as a measure of value, the same name became attached to, say, one fifteenth of a pound of gold, depending on the ratio between the values of gold and silver. Pound as a money-name and pound as the ordinary weight-name of gold are now two different things. (3) Centuries of continuous debasement of the currency by kings and princes have in fact left nothing behind of the original weights of gold coins but their names.

These historical processes have made the separation of the money-name from the weight-name into a fixed popular custom. Since the standard of money is on the one hand purely conventional, while on the other hand it must possess universal validity, it is in the end regulated by law. A given weight of one of the precious metals, an ounce of gold for instance, becomes officially divided into aliquot parts, baptized by the law as a pound, a thaler, etc. These aliquot parts, which then serve as the actual units of money, are subdivided into other aliquot parts with legal names, such as a shilling, a penny etc. But, despite this, a definite weight of metal remains the standard of metallic money. All that has changed is the subdivision and the denomination of the money.

The prices, or quantities of gold, into which the values of commodities are ideally changed are therefore now expressed in the money-names, or the legally valid names of the subdivisions of the

7. In any case, its historical validity is not entirely universal.

8. Thus the pound sterling denotes less than one third of its original weight, the 'pound Scots' before the Union,* only one 36th, the French livre one 74th, the Spanish maravedi, less than one 1,000th, and the Portuguese rei a still smaller fraction.

9. 'The coins which today have a merely ideal denomination are in all nations the oldest; once upon a time they were all real, and because they were real people reckoned with them' (Galiani, Della Moneta, op. cit., p. 153).

10. David Urquhart remarks in his 'Familiar Words' on the monstrosity (!) that nowadays a pound (sterling), which is the unit of the English standard of money, is equal to about a quarter of an ounce of gold. 'This is falsifying a measure, not establishing a standard.'† In this 'false denomination' of the weight of gold, he finds what he finds everywhere else, the falsifying hand of civilization.

* The Union of Scotland with England in 1707.
Money, or the Circulation of Commodities

Gold standard made for the purpose of reckoning. Hence, instead of saying that a quarter of wheat is worth an ounce of gold, people in England would say that it was worth £3 17s. 10½d. In this way commodities express by their money-names how much they are worth, and money serves as money of account whenever it is a question of fixing a thing as a value and therefore in its money-form.¹¹

The name of a thing is entirely external to its nature. I know nothing of a man if I merely know his name is Jacob. In the same way, every trace of the money-relation disappears in the money-names pound, thaler, franc, ducat, etc. The confusion caused by attributing a hidden meaning to these cabalistic signs is made even greater by the fact that these money-names express both the values of commodities and, simultaneously, aliquot parts of a certain weight of metal, namely the weight of the metal which serves as the standard of money.¹² On the other hand, it is in fact necessary that value, as opposed to the multifarious objects of the world of commodities, should develop into this form, a material and non-mental one, but also a simple social form.¹³

Price is the money-name of the labour objectified in a com-

¹¹ ‘When Anacharsis was asked what the Greeks used money for, he replied: for reckoning’ (Athenaeus, Deipnosophistae, Bk IV, 49, v. 2, ed. Schweighäuser, 1802).

¹² ‘Because as standard of price gold is expressed by the same names of account as the prices of commodities – for example £3 17s. 10½d. may denote an ounce of gold just as well as a ton of iron – these names of account are called the mint-price of gold. Thus the extraordinary notion arose that gold is estimated in its own material and that, unlike all other commodities, its price is fixed by the State. The establishing of names of account for definite weights of gold was mistaken for the establishing of the value of these weights’ (Karl Marx, op. cit., p. 52) [English edition, p. 74].

¹³ Cf. ‘Theories of the Standard of Money’, in Zur Kritik etc., pp. 53 ff. [English edition, pp. 76 ff.]. Some theorists had fantastic notions of raising or lowering the ‘mint-price’ of money by getting the state to transfer to greater or smaller weights of gold or silver the names already legally appropriated to fixed weights of those metals, so that for example ½ ounce of gold could be minted into 40 shillings in the future instead of 20. However, Petty dealt with these so exhaustively in his Quantulumcunque Concerning Money: To the Lord Marquis of Halifax, 1682, at least in those cases where they aimed not at clumsy financial operations against public and private creditors but rather at economic quack remedies, that even his immediate followers, Sir Dudley North and John Locke, not to mention later ones, could only repeat what he said more shallowly. ‘If the wealth of a nation,’ he remarks, ‘could be decupled by a proclamation, it were strange that such proclamations have not long since been made by our Governors’ (Petty, op. cit., p. 36).
modity. Hence the expression of the equivalence of a commodity with the quantity of money whose name is that commodity's price is a tautology, just as the expression of the relative value of a commodity is an expression of the equivalence of two commodities. But although price, being the exponent of the magnitude of a commodity's value, is the exponent of its exchange-ratio with money, it does not follow that the exponent of this exchange-ratio is necessarily the exponent of the magnitude of the commodity's value. Suppose two equal quantities of socially necessary labour are respectively represented by 1 quarter of wheat and £2 (approximately \( \frac{1}{4} \) ounce of gold). £2 is the expression in money of the magnitude of the value of the quarter of wheat, or its price. If circumstances now allow this price to be raised to £3, or compel it to be reduced to £1, then although £1 and £3 may be too small or too large to give proper expression to the magnitude of the wheat's value, they are nevertheless prices of the wheat, for they are, in the first place, the form of its value, i.e. money, and, in the second place, the exponents of its exchange-ratio with money. If the conditions of production, or the productivity of labour, remain constant, the same amount of social labour-time must be expended on the reproduction of a quarter of wheat, both before and after the change in price. This situation is not dependent either on the will of the wheat producer or on that of the owners of the other commodities. The magnitude of the value of a commodity therefore expresses a necessary relation to social labour-time which is inherent in the process by which its value is created. With the transformation of the magnitude of value into the price this necessary relation appears as the exchange-ratio between a single commodity and the money commodity which exists outside it. This relation, however, may express both the magnitude of value of the commodity and the greater or lesser quantity of money for which it can be sold under the given circumstances. The possibility, therefore, of a quantitative incongruity between price and magnitude of value, i.e. the possibility that the price may diverge from the magnitude of value, is inherent in the price-form itself. This is not a defect, but, on the contrary, it makes this form the adequate one for a mode of production whose laws can only assert themselves as blindly operating averages between constant irregularities.

14. 'Or indeed it must be admitted that a million in money is worth more than an equal value in commodities' (Le Trosne, op. cit., p. 919), and hence 'that one value is worth more than another value which is equal to it'.
The price-form, however, is not only compatible with the possibility of a quantitative incongruity between magnitude of value and price, i.e. between the magnitude of value and its own expression in money, but it may also harbour a qualitative contradiction, with the result that price ceases altogether to express value, despite the fact that money is nothing but the value-form of commodities. Things which in and for themselves are not commodities, things such as conscience, honour, etc., can be offered for sale by their holders, and thus acquire the form of commodities through their price. Hence a thing can, formally speaking, have a price without having a value. The expression of price is in this case imaginary, like certain quantities in mathematics. On the other hand, the imaginary price-form may also conceal a real value-relation or one derived from it, as for instance the price of uncultivated land, which is without value because no human labour is objectified in it.

Like the relative form of value in general, price expresses the value of a commodity (for instance a ton of iron) by asserting that a given quantity of the equivalent (for instance an ounce of gold) is directly exchangeable with iron. But it by no means asserts the converse, that iron is directly exchangeable with gold. In order, therefore, that a commodity may in practice operate effectively as exchange-value, it must divest itself of its natural physical body and become transformed from merely imaginary into real gold, although this act of transubstantiation may be more 'troublesome' for it than the transition from necessity to freedom for the Hegelian 'concept', the casting of his shell for a lobster, or the putting-off of the old Adam for Saint Jerome.\(^{15}\) Though a commodity may, alongside its real shape (iron, for instance), possess an ideal value-shape or an imagined gold-shape in the form of its price, it cannot simultaneously be both real iron and real gold.

To establish its price it is sufficient for it to be equated with gold in the imagination. But to enable it to render its owner the service of a universal equivalent, it must be actually replaced by gold. If the owner of the iron were to go to the owner of some other earthly

\(^{15}\) If Jerome had to wrestle hard in his youth with the material flesh, as is shown by his fight in the desert with visions of beautiful women, he had also to wrestle in his old age with the spiritual flesh. 'I thought', he says, 'I was in the spirit before the Judge of the Universe.' 'Who art thou?' asked a voice. 'I am a Christian.' 'Thou liest,' thundered back the great Judge, 'thou art nought but a Ciceronian' [Letter XXII, Ad Eustochium].
Commodity, and were to refer him to the price of iron as proof that it was already money, his answer would be the terrestrial equivalent of the answer given by St Peter in heaven to Dante, when the latter recited the creed:

\begin{verbatim}
'Assai bene è trascorsa
D'esta moneta già la lega e il peso,
Ma dimmi se tu l'hai nella tua borsa.'*
\end{verbatim}

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

2. The Means of Circulation

(a) The Metamorphosis of Commodities

We saw in a former chapter that the exchange of commodities implies contradictory and mutually exclusive conditions. The further development of the commodity does not abolish these contradictions, but rather provides the form within which they have room to move. This is, in general, the way in which real contradictions are resolved. For instance, it is a contradiction to depict one body as constantly falling towards another and at the same time constantly flying away from it. The ellipse is a form of motion within which this contradiction is both realized and resolved.

In so far as the process of exchange transfers commodities from hands in which they are non-use-values to hands in which they are use-values, it is a process of social metabolism.† The product of one kind of useful labour replaces that of another. Once a commodity has arrived at a situation in which it can serve as a use-value, it falls out of the sphere of exchange into that of consumption. But the former sphere alone interests us here. We therefore have to consider the whole process in its formal aspect, that is to

* 'Right well hath now been tested this coin's alloy and weight; but tell me if thou hast it in thy purse' (Dante, Divina Commedia, Paradiso, Canto XXIV, lines 84–5).

† Here Marx introduces for the first time the concept of 'metabolism' (Stoffwechsel). This biological analogy plays a considerable part in his analysis of circulation and the labour process.