Sixth International Conference in Economics
Economic Research Center, METU, Ankara, September 11-14, 2002.

THEORY OF VALUE AND MONEY.
In Defence of the Endogeneity of Money

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Abstract

The Marxian notion of value is a *complex theoretical construct*, which replaces the Classical semi-empirical category of "labour expended" with an *inherently monetary economic theory*: Value discloses a historically specific social relation (the "market economy" or capitalism) which manifests itself in money. The value of a commodity cannot be determined as such, but only through its *form of appearance*; it cannot be determined in isolation but only in relation with all other commodities in the *exchange process*. This exchange-value relation is expressed through *money*, which thus becomes the most general *form of appearance of capital*. Value is the key notion which deciphers *what capital and money is*. It does not belong to the world of empirically detectable (and measurable) quantities; only money does.

The Marxian monetary theory of value allows the comprehension of the endogeneity and non-neutrality of money, in an analytically superior way than any other contemporary theory: Money is not the representative of a commodity or a formal "symbol of value" (exogenously issued by a certain authority), but the "embodiment" of the *capital relation*: It is thus created in accordance with the process of *expanded reproduction* of this relation.

1. Introduction

The non-neutrality of money and its significance not as a mere means of exchange that facilitates transactions, (by overcoming –in the Classical and Neoclassical traditions– the non-coincidence of the mutual needs of commodity owners on the market[1]), but mainly as a store of value which may be held for future transactions, in response to economic

[1] According to Adam Smith, "when the division of labour first began to take place, this power of exchanging must frequently have been very much clogged and embarrassed in its operations. One man, we shall suppose, has more of a certain commodity than he himself has occasion for, while another has less. The former consequently would be glad to dispose of, and the latter to purchase, a part of this superfluity. But if this latter should chance to have nothing that the former stands in need of, no exchange can be made between them. (...) In order to avoid the inconveniency of such situations, every prudent man in every period of society, after the first establishment of the division of labour, must naturally have endeavoured to manage his affairs in such a manner as to have at all times by him, besides the peculiar produce of his own industry, a certain quantity of some one commodity or other, such as he imagined few people would be likely to refuse in exchange for the produce of their industry" (Smith 1981: I.iv.2 and I.iv.4).

uncertainty and future expectations, has been stressed by Keynes and the Post-Keynesian theorists (see for a compendious presentation of these approaches Itoh & Lapavitsas 1999: 207-45, Mollo 1999). However, these approaches, as well as the tradition of Thomas Tooke and the Banking School, who reversed the flow of cause and effect in the relation between prices and the circulating money supply, (thus rejecting the main postulate of the Quantity Theory of Money, see Milios et al 2002: 44-51), define money primarily by its "properties" (and the thereof ensuing functions), i.e. as a sui generis "commodity" with practically zero both the elasticity of substitution with other commodities and the elasticity of production, etc.

To my opinion, these approaches do not formulate, thus, an inherently monetary economic theory, but introduce some rather descriptive ideas about the properties and functions of money into other, pre-existing, theoretical approaches, (Tooke into the Classical theory of labour value, Keynes into Marginalism and the subjective theory of value). They so modified some postulates, which functioned as foundations of these theories, and challenged some of their traditional conclusions. However, the theory of money they worked out always remained subjected to the principle notions shaping each particular theoretical domain (Classical Political Economy, Marginalism).

The only economic theory inherently formulated as a monetary one, is Marx's value theory (his theoretical system of the *Critique of Political Economy*). It constitutes not a "modification" of Classical Political Economy's theory of value (as "labour expended") but a new theoretical domain, shaping thus a new theoretical object of analysis (value as an expression of the capital relation) and a new theoretical "paradigm" of argumentation. According to this approach, money is the par excellance manifestation of value and thus of capital.

The purpose of the present paper is to expose the main tenets of Marx's monetary theory of value, in an effort to show that this approach may allow one to gain a deep insight into the question of the endogeneity of money in contemporary developed market economies.

2. Marx's monetary theory of value

2.1 The Classical tradition

Marx began to occupy himself systematically with Political Economy just at the time that the Classical School had completed its historic cycle, that is to say when on the one hand its basic analyses (Smith, Ricardo) had been formulated, and on the other the Classical theory of value had begun to be disputed from a theoretical standpoint (as it appeared incompatible with the existence of a uniform rate of profit in the capitalist economy), but also for political and other reasons (Rubin 1989).

The concept of value in its Smithian version of "labour expended" (on the production of a commodity), or in its relevant Ricardian version, can be summarised in the following theses:

Thesis 1: A commodity comprises use value and exchange value. What is interesting from an economic viewpoint is exchange value, which is determined independently of use value. Exchange value as a relation of commodity exchange expresses the value inherent in commodities.

Thesis 2: The value of a commodity (as a characteristic or property of the "economic good") derives from labour and (quantitatively) is proportional to the labour time which has been expended for its production.

Theses 1 and 2 are necessary conclusions from an analysis which holds that value is inherent in commodities (giving rise to Smith and Ricardo's notion of the inherent value of money[2] which is taken to be a commodity that simply facilitates the exchange of all other commodities). It is therefore considered that value is a *property* of all commodities (a qualitative feature of them), which derives from the fact that they are the products of labour. Consequently (following Thesis 2), *labour secures commensurability between commodities: their common quality is that they are the products of labour*.[3] The following two *theses are logical consequences of Theses 1 and 2*:

Thesis 3: The relative values, as *relations of exchange* between commodities derive from their (inherent) values, as the ratio of (the quotient of) their values.[4]

Thesis 4: The incomes of the capitalist and the landowner derive from the value of the totality of commodities produced by the labourer in a certain period of time. Otherwise formulated, *the possessing classes appropriate a part of the value produced by the labourer*.[5]

2.2 The capitalist mode of production: abstract labour and production of value

Based on his theory of History, which he had developed jointly with Fr. Engels since the 1840s, Marx overturned after 1857 the above presented Classical value theory (value being identified with "labour expended") not only in his effort to overcome its internal theoretical contradictions, but mainly as a result of the fact that he conceived value (and the capitalist mode of production) in a non empiricist way, as the causal determinations ("laws") which regulate the empirically detectable phenomena. These causal determinations (the "law of value") do not belong to the level of tangible reality, in the same way that the law of gravity will never "appear" as such, but will always become valid through its effects on the motion of material bodies, functioning as a cause which can be scientifically identified and thus used for the explanation of physical phenomena.

[2] "By the money-price of goods, it is to be observed, I understand always the quantity of pure gold or silver for which they are sold, without any regard to the denomination of the coin" (Smith 1981: I.v.42). It is on this notion that Smith bases his view of the "neutrality of money" as a medium which simply facilitates the exchange of one commodity with another: "The gold and silver money which circulates in any country may very properly be compared to a highway, which, while it circulates and carries to market all the grass and corn of the country, produces itself not a single pile of either" (Smith 1981: II.ii.86). Consequently, it is the exchange of one commodity with another (on the model of non-monetary exchange - barter), not the circulation of money that is seen as the essential characteristic of the "market economy".

[3] "Labour [is] the real measure of the exchangeable value of all commodities. (...) Labour alone, therefore, never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared. It is their real price; money is their nominal price only" (Smith 1981: I.v.4 and I.v.7).

[4] "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour" (Ricardo 1992: 5).

[5] "As soon as land becomes private property, the landlord demands a share of almost all the produce which the labourer can either raise, or collect from it. His rent makes t*he first deduction from the produce of the labour* which is employed upon land. (...) Profit, makes a *second deduction from the produce of the labour* which is employed upon land" (Smith 1981: I.viii.6 and 7, emphasis added).

2.2.1 The morphology of Marx's analysis

In his great self-published work, Volume 1 of *Capital,* Marx devotes Part One, which is 120 pages long (Penguin edition) to an analysis of value. According to his well known method of analysis, Marx starts from a *simple definition of value*, as a point of departure of his theoretical study, in order then to enrich this notion and to give it its new (Marxian) meaning. He wrote:

> "The common factor in the exchange relation, or in the exchange value of the commodity, is therefore its value. (...) How, then, is the magnitude of this value to be measured? By means of the quantity of the 'value-forming substance', the labour, contained in the article" (Marx 1990: 128-9).

Following Marx's text one may note that of these 120 dealing with the notion of value, only the first seven (Marx 1990: 125-31) are devoted to formulating and clarifying this simple preliminary definition of value (the value of a commodity derives from labour and quantitatively is proportional to the labour time which has been expended for its production.). The following six pages (Marx 1990: 132-37) are devoted to a formulation of the concept of *abstract labour*, as the historically specific form of labour which produces value. The exploitation of productive labour is not examined in this section of *Capital*, but is introduced, in the context of what has already been analysed, in Part Two of the work. The 107 pages which follow the analysis of abstract labour (Marx 1990: 138-244) are concerned with exchange value, that is to say with value as a *relation* of exchange, and in this framework they arrive at the question of money.

If we wish to take Marx seriously, we must therefore see what is said in these 6 + 107 pages beyond the simple preliminary definition of value of the first seven pages of his text.

2.2.2 Abstract labour

That "wealth", that is to say everything that is useful, is mostly a product of labour applies not only to capitalism but to every mode of production. Every mode of production presupposes the *worker-producer* and his (her) particular relationship with the *means of production*, from which can be deciphered the particular structural characteristics of the community in which that mode of production is predominant.[6] However, as stressed by Marx on the very first page of *Capital*, it is only in "those societies in which the capitalist mode of production prevails", that wealth "presents itself as 'an immense accumulation of commodities'" (Marx 1990: 125).[7] It is thus obvious that it is not because it is a product of labour that wealth is a commodity, but because that labour is carried out

[6] "The specific economic form in which unpaid surplus labour is pumped out of the direct producers determines the relationship of domination and servitude, as this grows directly out of production itself and reacts back on it in turn as a determinant" (Marx 1991: 927). Also, concerning wealth being under all social regimes a product of labour, Marx notes: "The middle ages could not live on Catholicism, nor could the ancient world on politics. On the contrary, it is the manner in which they gained a livelihood that explains why in one case politics, in the other case Catholicism, played the chief part" (Marx 1990: 176).

[7] In the first Edition of Volume One of *Capital* [1867] we read: "In the ancient Indian community labour is socially allocated without its products becoming commodities" (MEGA II, 5: 22). See also Marx 1990: 170.

within the framework of the capitalist mode of production and so is subjected to the standardisation and uniformity that is inherent in that mode of production. To put it another way, *value* is a manifestation of the structural characteristics of the capitalist mode of production and not a manifestation of labour in general.

It is therefore clear that Marx conceived of value as a historically specific *social relation*: Value is the "property" that products of labour acquire in capitalism, a property which acquires material substance, that is actualised, in the market, through the exchangeability of any product of labour with any other, i.e. through their character as commodities bearing a specific (monetary) price on the market. From the first text in the period under examination, the *Grundrisse* (1857-8),[8] to *Capital* (1867),[9] Marx insisted that value is an expression of relations exclusively characteristic of the capitalist mode of production. Thus, wherever in his work he introduces the concept of "generalised commodity production" (such as for example in the first section of the first volume of *Capital*) so as to comprehend value, in reality he is shaping a preliminary intellectual construct (which to some extent corresponds to the superficial "visible reality" of the capitalist economy[10]), which will help him to come to grips with capitalist production, and subsequently construct his concept of it (Murray 2000). In no way does he describe a (pre-capitalist) community of simple commodity production, as many Marxists have imagined: "Had we gone further, and inquired under what circumstances all, or even the majority of products take the form of commodities, we should have found that this only happens on the basis of one particular mode of production, the capitalist one" (Marx 1990: 273).

Value is thus not an "essence" infused by the individual worker always and everywhere, i.e. under any imaginable historical conditions, into the products of his labour.[11]

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[8] "The concept of value is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it. In the concept of value, its secret is betrayed. (...) The economic concept of value does not occur in antiquity" (Marx 1993: 776 ff.).

[9] "*The value form of the product of labour* is the most abstract, but also the *most general form* of the bourgeois mode of production as a particular kind of social production of a historical and transitory character" (Marx 1990: 174).

[10] "The simple circulation is mainly an abstract sphere of the bourgeois overall production process, which manifests itself through its own determinations as a trend, a mere form of appearance of a deeper process which lies behind it, and equally results from it but also produces it –the industrial capital" (MEGA II, 2: 68-9). As Murray (2000) correctly notes, "*Marx's whole presentation of the commodity and generalised simple commodity circulation presupposes capital and its characteristic form of circulation*. It is perhaps the foremost accomplishment of Marx's theory of generalised commodity circulation to have demonstrated – with superb dialectical reasoning – that a sphere of such exchanges cannot stand alone; generalised commodity circulation is unintelligible when abstracted from the circulation of capital". (Murray, P. (2000), 'Marx's "Truly Social" Labour Theory of Value: Abstract Labour in Marxian Value Theory', Part I, *Historical Materialism*, No. 6: 27-65).

[11] Moreover, under capitalism it is not only the products of labour that are commodities but also the labour power of working people, who during the course of historical development have forfeited all their property rights over the means of production (at the same time as being liberated from every unmediated form of personal dependency) and are obliged to sell their labour power to capitalists (owners of the means of production) as their sole recourse for obtaining the necessary means of subsistence. Marx however chooses not to speak of that issue until Part 2 (Chapter 4) of the first volume of *Capital*. When speaking about property, we always refer to the definition of Marx: "Property, then, originally means (...) the relation of the working (producing or self-reproducing) subject to the relations of production or reproduction as his own" (Marx 1993: 495).

Marx approaches the problem by way of the question of commensurability. If under non-capitalist modes of production the "market economy" is absent and the *products of labour* are not exposed to relations of equivalence-for-exchange, then it is pointless arguing that under capitalism they become economically commensurable because they are products of labour. Put in another way, where Classical Political Economy believed that it was giving a conclusive answer (qualitatively different objects –use values– are rendered economically commensurate –exchangeable– because they are all products of labour), Marx simply sees a question which has to be answered: How and why can qualitatively different kinds of labour be made equivalents?

> "Let us suppose that one ounce of gold, one ton of iron, one quarter of wheat and twenty yards of silk are exchange-values of equal magnitude. (...) But digging gold, mining iron, cultivating wheat and weaving silk are qualitatively different kinds of labour. In fact, what appears objectively as diversity of the use-values, appears, when looked at dynamically, as diversity of the activities which produce those use-values" (Marx 1981: 29).

For the riddle of the equivalence of different kinds of labour to be solved, what must be comprehended is the *social character of labour under capitalism*: The capitalist organisation of production and the resultant social division of labour is underpinned by the direct (institutional) independence of each individual producer (capitalist) from all the others. Nevertheless, all these individual productive procedures are linked indirectly between themselves through the mechanism of the market, since each of them produces not for himself or for the "community" but for exchange on the market, for the rest of society, whose economic encounter with him takes place only in the market-place. This procedure imposes an increasing social (capitalistic) uniformity on all individual productive activities precisely through generalised commodity exchange and competition between individual commodity producers (capitalists).

Marx defines this procedure of social homogenisation of individual labour procedures and productive processes through introduction of the term *abstract labour*. Labour has a "dual nature" in the capitalist mode of production – on the one hand it is concrete labour (labour which produces a concrete use value, as in any mode of production) and on the other it is at the same time abstract labour (labour in general), *labour which is from the social viewpoint qualitatively identical.* From this stem the overall commensurability and exchangeability of the products of labour, i.e. that they are constituted (produced) as commodities: *"The labour contained in exchange-value is abstract universal social labour, which is brought about by the universal alienation of individual labour"* (Marx 1981: 56-7). This means that *"every commodity is the commodity which, as a result of the alienation of its particular use-value, must appear as the direct materialisation of universal labour-time"* (Marx 1981: 45). The expenditure in abstract labour (labour in general) or general labour time, thus regulates the magnitude of the value in the commodities.

In Vol. 1 of *Capital* the analysis of abstract labour takes up no more than seven pages (Marx 1990: 131-37), in part because Marx had placed emphasis on that issue in *A Contribution to the Critique of Political Economy*.

In conclusion: The products of labour are commodities, hence values and exchange values, not simply because they are products of labour but because they are products of abstract labour, i.e. "capitalist labour" (labour which is performed under capitalist conditions, within the framework of the capitalist mode of production). Abstract labour produces the value of commodities, which constitutes their common measure (securing the relationship of commensurability), since value lacks every predicate beyond that of size.[12]

Here it is worth noting two points (Heinrich 1999: 208 ff.):

a) Abstract labour (and consequently "abstract labour time") is not a straightforward (empirically verifiable) property of labour but an "abstraction", i.e. a non-empirical reality, a concept which renders comprehensible the process of social homogenisation of labour *under the capitalist mode of production*: *"Universal labour-time itself is an abstraction which, as such, does not exist for commodities"* (Marx 1981: 45). That which empirically exists is merely the specific commodities which are bought and sold on the market.

b) Abstract labour, as the concept which conveys the specifically social (capitalist) character of the labour process, does not have to do with each separate productive procedure but with the *social interrelation of all* the separate, institutionally unrelated, *capitalist productive processes*, as this interrelation reveals itself in the market-place: *"Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange. (...) Universal social labour is consequently not a ready-made prerequisite but an emerging result"* (Marx 1981: 45).

These two issues suggest why the whole weight of the analysis must be placed on exchange value, i.e. on the *manifestation* of value as *exchange value* (the "form of appearance" of value) and this is where Marx places it: he does not close his analysis of value with the concept of abstract labour but on the contrary devotes by far the greatest part of his analysis (107 of the 120 pages) to exchange value, or value as an exchange relation between commodities. Exchange value is the sole *objective "materialisation"* (form of appearance) of value. In *Capital* Marx introduces his readers to these questions through the following phrase:

> "The reality of the value of commodities differs in this respect from Dame Quickly, that we don't know 'where to have it'. The value of commodities is the very opposite of the coarse materiality of their substance, not an atom of matter enters into its composition. Turn and examine a single commodity, by itself, as we will, yet in so far as it remains an object of value, it seems impossible to grasp it. (…) *Value can only manifest itself in the social relation of commodity to commodity*. In fact we started from exchange-value, or the exchange relation of commodities, in order to get at the value that lies hidden behind it. We must now return to this form under which value first appeared to us" (Marx 1990: 138-39, emphasis added).

2.3 Money, as the sole objective "materialisation" (form of appearance) of value

The conclusion that may be inferred from the above theses is that the value of commodities never appears as such, as an immediately perceivable (empirically observable) and thus measurable entity. It finds expression only through the (distorted) forms of its appearance, i.e. commodity prices. These forms of appearance of value do not, as we have argued, relate to each commodity separately, that is to say, it is not a matter of isolated, of *initially mutually independent* expressions of the value of each

[12] "All labour is expressed as equal human labour and therefore as labour of equal quality" (Marx 1990: 152).

commodity. The forms register the *relationship of exchange* between each commodity and *all other* commodities. They constitute material expression of the social homogenisation of labour in the capitalist mode of production (as delineated through the concept of *abstract labour*).

In order to be able to decipher the form of appearance of value as money, Marx starts from the scheme of simple barter relations, in which a quantity of a commodity is exchanged for a different quantity of another commodity. The Classical economists believed, that all market transactions can be reduced to simple barter relations, which are merely facilitated by money. Marx names the simple case of barter as *the Simple, Isolated or Accidental Form of Value*.

This form corresponds to:

x Commodity A = y Commodity B or 20 yards of linen = 1 coat,

of which Marx says that "the whole mystery of the form of value lies hidden in this simple form" (Marx 1990: 139). It is abstruse because it is simple, yet if deciphered it will reveal the secret of even its most developed configuration, that of money.

This relation does not amount to equality in the mathematical sense or a conventional equivalence but is characterised by a "polarisation", i.e. by the fact that each "pole" of the equality (the linen or –by the same token– the coat) occupies a qualitatively different position and has a correspondingly different function, such that, from a mathematical viewpoint, the converse (permutational) property does not apply [if $a=b \Rightarrow b=a$]. The linen (commodity A) has the *relative value form*, the coat (commodity B) the *form of equivalent*, which means that "they play two different parts", i.e. while they *"belong to and mutually condition each other (...), at the same time, they are mutually exclusive or opposed extremes, i.e. poles of the expression of value"* (Marx 1990: 139-40).

This polarisation and this difference result from the fact that value (as content or "essence" deriving from capitalistically expended labour) is manifested (i.e., empirically, appears) *only* in the exchange *relation* between commodities, in exchange value. In the simple form of the exchange relation, the equivalent (the coat) constitutes the measure of value of the "relative". In other words the simple form of value tells us that twenty yards of linen *have the value of* one coat. "The value of the commodity linen is expressed by the physical body of the commodity coat, the value of one by the use-value of the other" (Marx 1990: 143). The reason for this is that the value of linen "must be related to another commodity as equivalent" (Marx 1990: 148). *"The same commodity cannot accordingly appear in the same expression of value in its two forms simultaneously. These two forms are polar opposites and mutually exclusive"* (MEGA II, 5: 628).

Thus commodity A (relative form) "makes the use-value B into the material through which its own value is expressed" (Marx 1990: 144). So B, or the coat (equivalent form) becomes the *measure of value* (the *"money"*) of A, of linen. The equivalent (commodity B or the coat), although itself a useful thing, through the process of exchange, functions as a "form of appearance of value", which means that concrete labour embodied in it (coat tailoring work) functions (for the moment only vis-à-vis the linen) as a manifestation of labour in general, of abstract labour. Value is manifested only through these forms of its appearance:

> "Within the value relation and the expression of value immanent in it, the abstractedly general [i.e. value] does not constitute a property of the concrete, sensorily actual [i.e. of exchange value] but on the contrary the sensorily actual is a simple form of appearance or specific form of realisation of the abstractedly general (…) *Only the sensorily concrete is valid as a form of appearance of the abstractedly general*" (MEGA II, 5: 634, emphasis added).

The form of the equivalent, as tangible manifestation of value, is characterised by the following elements: a) Its use value constitutes the form of appearance of value, b) concrete labour (tailoring) constitutes the form of appearance of abstract labour, c) individual labour is manifested as directly social labour. The following schema reconstructs the simple value form (Altvater et al 1999).

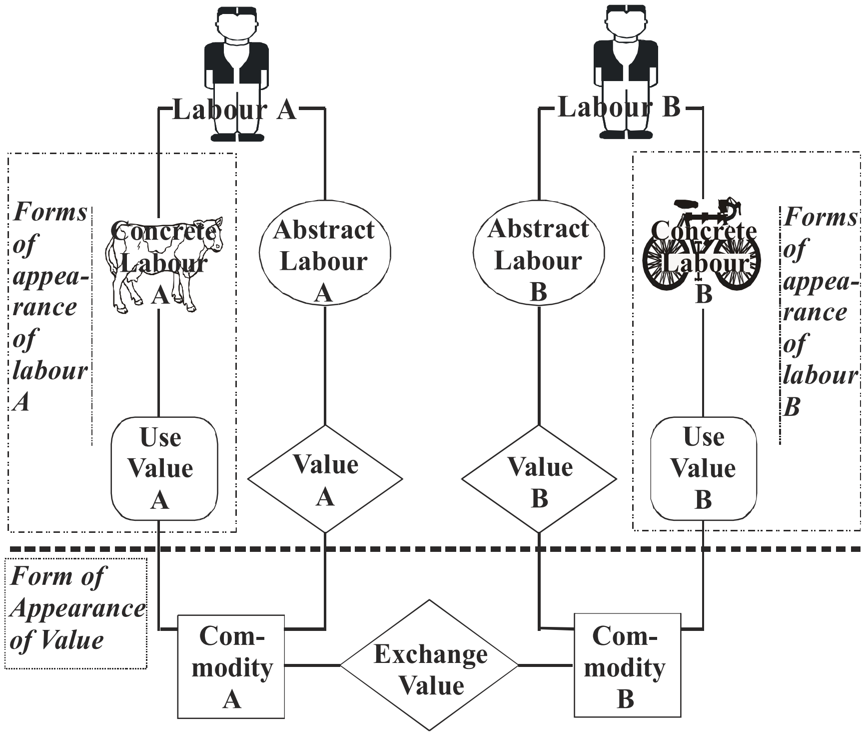

Figure 2.1 The Simple Form of Value: x commodity A = y commodity B
or one unit of commodity A has the value of y/x units of B

In its Marxian version, *the "simple form of value" measures only the value of commodity A in units of commodity B: The value of a unit of A is y/x units of B*.

Another important question concerns the value of the coat or of commodity B (equivalent form). To the extent that the coat remains in the position of the equivalent, its value remains latent, which is to say it "does not exist" in the world of tangible reality, of the forms of appearance:

> "But as soon as the coat takes up the position of the equivalent in the value expression, the magnitude of its value ceases to be expressed quantitatively. On the contrary, the coat now figures in the value equation merely as a definite quantity of some article" (Marx 1990: 147).

Just as the value of commodity A, i.e. of the linen (relative form) "cannot be related to itself as equivalent, and therefore cannot make its own physical shape into the expression of its own value" (Marx 1990: 148), so by analogy neither is the coat able to assume any tangible form of expression: *"it cannot express its value in its own body or in its own use value (...) it cannot be referred to the (...) concrete labour contained in itself as a simple form of realisation of abstract human labour"* (MEGA II, 5: 32). If that could happen with the coat, then the same would apply for the linen or for any other commodity and value would be a self-existent manifestation (form of appearance) of labour. The form and content of value would be identical.

Consequently the Marxian system of analysis could be considered synonymous with the Ricardian. But this is not the case.

From the analysis of the simple value form, Marx now has no difficulty in deciphering the money form. For this purpose he utilises two intermediate intellectual formulas, the *total or expanded* and the *general form* for expressing value.

The first formula connotes an endless series of acts of barter of the kind:

w Commodity A = v Commodity B = x Commodity C = y Commodity D = etc.

It is characterised by two deficiencies, a) that as an overall proposition it is endless, and so indeterminate since it conveys a random selection of successive commodities, in which a commodity may be seen either as a relative value form with a multitude of equivalents or as one of the multitude of equivalents of another commodity occupying the position corresponding to the relative expression of value and b) that it can be seen as a medley of endless sequences of simple value forms (Marx 1990: 156).

The second form in this developmental sequence is the *general form* of value, which is characterised by one and only one equivalent (e.g. of linen) in which all the other commodities express their value. These commodities are thus always in the position of *relative* value. The fabric has come to constitute the *universal relative form of value* (Marx 1990: 161). Every other commodity is now excluded from the status of equivalent, which is now occupied only by the general equivalent, the fabric. Given that for all commodities apart from linen fabric a "common form of appearance of value is now applicable, (…) the specific labour materialised in the fabric now applies (…) as a general form of actualisation of human labour, as *labour in general*" (MEGA II, 5: 37), and so as a form of appearance of abstract labour.[13]

Commodities are now exchangeable between themselves not *directly* but only through the general equivalent (of linen fabric). Their social "essence" (that all are products of capitalistically expended labour) is not expressed immediately but with the general equivalent playing the role of *intermediary*:

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[13] Through the expression of the value of each commodity in quantities of fabric, "the value of every commodity is now not only differentiated from its own use-value, but from all use-values, and is, by this 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, or permitted to appear to each other as exchange-values" (Marx 1990: 158).

> "Commodities do not then assume the form of *direct mutual exchangeability*. *Their socially validated form is a mediated one*. Conversely: through the relation of all other commodities to linen fabric as the form of appearance of their value, the physical form of linen material becomes *the form of direct exchangeability* between these commodities and all other commodities and as such their *direct* or *general social* form" (MEGA II, 5: 40). "All types of private labour acquire their *social* character only through *antithesis*, with all of them *equated* with an exclusive variety of private labour, in this case that of linen-weaving. Hence the latter becomes a direct and general form of abstract human labour" (MEGA II, 5: 42).

When a commodity on the market definitively adopts the role of general equivalent, the form of the general equivalent leads directly to the money form. That commodity (gold) then becomes money, and the form of the general equivalent is the money form. Nevertheless, it is no accident that Marx distinguishes the form of the general equivalent from the money form. He deliberately chose as his initial example a chance commodity (linen fabric) and not gold (money's historical "body") when he introduced the concept of the general equivalent. Money is much more than a commodity playing the role of the general equivalent (Milios et al, 2002, Ch. 3).

Thus the relation of general exchangeability of commodities is expressed (or realised) only in an indirect, *mediated* sense, i.e. through money, which functions as *general equivalent* in the process of exchange, and through which all commodities express their value. The Marxian analysis does not therefore entail reproduction of the barter model (of exchanging one commodity for another), since it holds that exchange *is necessarily mediated by money*. This amounts to a monetary theory of the capitalist economy (a monetary theory of value) since money is interpreted as an *intrinsic and necessary element in capitalist economic relations*.

Having acquired the exclusive function of the expression and measurement of prices, money itself does not have a price (even if we are speaking of a commodity that has been withdrawn from circulation so as to be able to play the role of money: gold). As Marx puts it:

> "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" (Marx 1990: 189). "It is the adequate form of appearance of value, that is a material embodiment of abstract and therefore equal human labour" (Marx 1990: 184).

To summarise: Based on his monetary theory of value, Marx shows that the value of a commodity is expressed not through itself but through its distorted forms of appearance in prices. Moreover, it cannot be defined in isolation, but *exclusively in relation to all other commodities*, in a process of exchange. This relation of exchange value is materialised in money. In the Marxist system there cannot be any other "material condensation" of (abstract) labour, any other measure (or form of appearance) of value:

> "It has become apparent in the course of our presentation that value, which appeared as an abstraction, is only possible as such an abstraction, as soon as money is posited" (Marx 1993: 776).

The essential feature of the "market economy" (of capitalism) is thus not simply commodity exchange (as maintained by mainstream theories) but monetary circulation and money. The Marxist theory of value points simultaneously to the concept of abstract labour (as causal determinant or "essence" of value) and of money (as its necessary form of appearance).

Value is described by Marx as "essence", magnitude and form: *it is the expression of a historically specific socio-economic relation and a distillation of the distinctive social homogenisation of labour under capitalism, which is manifested in the generalised exchangeability, mediated by money, of commodities on the market*. It is in this sense that, as Rubin (1978: 123) puts it, "exchange is the form of the whole production process, or the form of social labour". (Also see Rubin 1972, particularly pp. 107-23).

From a quantitative viewpoint, the value of a commodity *would be* the quantity of *socially necessary labour* (i.e. of *abstract* labour with socially average characteristics of productivity and intensity) which is expended for its production. Nevertheless, the necessarily distorted form of appearance of all the internal-causal definitions of economic relations results in the formation of relative prices (ratios of exchange of quantities expressed through prices) between commodities which differ from what the relative values between them would be (ratios of exchange in values). Marx nonetheless supposed in the first and second Volumes of *Capital* that commodities are exchanged in accordance with their values. In this section of his analysis what chiefly concerned him was to study capitalist exploitation[14] as the motor of capitalist production and economic growth, as well as of the results created by increases in labour productivity (which "becomes manifest as an adequate embodiment of the *law of value* which develops fully only on the foundation of capitalist production" Marx 1990: 1037-38). In the third Volume of *Capital* he abandoned this assumption, focusing his analysis on the forms of appearance of capitalist production relations. Here he introduced the concept of *production prices* as the prices (forms of appearance of value) which secure the equalisation of the rate of profit for all individual capitals, which become interlinked, through competition, within the framework of a capitalist economy. According to Marx, the price of production constitutes what may be called the "gravitation centre" (or, in a Classical vocabulary, the "natural price") around which the actual market price oscillates. On the contrary, the Classics considered the "natural price" to be identical with the value of the commodity, i.e. they regarded prices and values as commensurable quantities. (See Smith 1981: I.vi.15).

3. The capital-relation: Money as capital

3.1 "This circulation of money leads to capital". "Capital essentially produces capital"

From the above it has become apparent that for Marx *value can be expressed (or manifested) only through money, as a "money-mediated" form of appearance registering the general exchangeability of commodities*. According to the Marxist approach and in contrast to the Classical and Neoclassical schools, even the most straightforward act, that of exchanging two commodities must be understood as a procedure consisting of two successive monetary transactions, a sale followed by a purchase, in accordance with the formula C-M-C (where C symbolises the commodity and M the money).

[14] For simplicity reasons, Marx regarded in this part of his work that exploitation can be quantified as a measurable quantum of surplus-labour time. See Milios 2002.

Marx chose to present "*what is value?*" and "*what is money?*" in the first three chapters of *Capital* (Part one of Vol. 1) before formulating the concept of capital and the capitalist mode of production. So, the probably most important section of the theory of money in the capitalist mode of production (money as capital) is contained in Part 2, Chapters 4-6 ("Transformation of money into capital"), where his previous preliminary analysis of money as a means of payment is "deciphered". There we read:

> "Capital is money, capital is commodities. In truth, however, value is here the subject of a process, in which, while constantly assuming the form in turn of money and commodities, it at the same time changes in magnitude, throws off surplus-value from itself considered as original value, and thus valorises itself independently. (...) *The circulation of money as capital is an end in itself*, for the expansion of value takes place only within this constantly renewed movement. *The circulation of capital is therefore limitless*. (...) As the conscious bearer of this movement, the possessor of money becomes a capitalist (...) it is only in so far as the appropriation of ever more and more wealth in the abstract is the sole driving force of his operations, that he functions as a capitalist, i.e. as capital personified and endowed with consciousness and a will" (Marx 1990: 255, 253-4, emphasis added).

Marx formulated and then developed the theory of capital on the basis of his concept of value. Capital is value which, though created by the working class, has been appropriated by capitalists. Precisely because it constitutes value, capital makes its appearance as money and commodities. But the commodities that function as capital are certain specific commodities: the means of production (fixed capital) on one hand and labour power (variable capital) on the other.

For labour power to constitute a commodity, it must have undergone a long historical process of social transformation and revolution from which there emerges the free worker.[15] The formation of the capital - wage labour relationship is thus a historically specific form of class power which is inseparable from the institutional, legal and ideological structure of the "free individual" and of equality. As already stated, Marx describes the internal interdependencies which condition this historic social order of things as the capitalist mode of production. The *capitalist mode of production* (and not the "economy" in general) is thus constituted as the pre-eminent object of Marxian theory.

There thus emerges the radically amended Marxian version of the *exploitation thesis*, existing in a latent form in the analysis of Classical Political Economy (see Footnote 5 of this text). Surplus value is not conceived as a simple "subtraction" or "deduction" from the product of the worker's labour but as *a social relation, a result of and prerequisite for capitalist exploitation, which necessarily takes the form of (more) money, as the increment in value brought about by uniting the process of production with the process of circulation. The concept of surplus value is inseparable from that of value*, since under the capitalist mode of production value is mobilised for the sake of surplus value ("money as an end in itself") and is made possible through surplus value. Capital is a "self-valorising value" and

[15] "One thing, however, is clear: Nature does not produce on the one side owners of money or commodities, and on the other men possessing nothing but their own labour-power. (...) Had we gone further, and inquired under what circumstances all, or even the majority of products take the form of commodities, we should have found that this only happens on the basis of one particular mode of production, the capitalist one" (Marx 1990: 273).

> "as the dominant subject of this process (...) value requires above all an independent form by means of which its identity with itself may be asserted. *Only in the shape of money does it possess this form*. Money therefore forms the starting-point and the conclusion of every valorisation process" (Marx 1990: 255).

Money, functioning as capital, unifies the capitalist production process and the process of circulation, in accordance with the formula M-C-M′ (or M-C-[M + ΔM]). In the capitalist mode of production this formula is nothing more than the "outer husk" of the overall process of capitalist production, i.e. the *circuit of (social) capital* (O'Hara 1999):

$$M—C\ (= Mp+Lp)\ [\rightarrow P \rightarrow C']—M'$$

The capitalist appears on the market as the owner of money (M) buying commodities (C) which consist of means of production (Mp) and labour power (Lp). In the process of production (P), the C are productively used up in order to create an outflow of commodities, a product (C′) whose value exceeds that of C. Finally he sells that outflow in order to recover a sum of money (M′) higher than (M). Thus "*the circulation of money leads (...) to capital*" (Marx 1993: 776). Money appears to possess "*the occult ability to add value to itself*" (Marx 1990: 255). This is particularly so in the case of loan (or interest-bearing) capital, which the banker or finance capitalist lends to the industrial capitalist. The surplus value created in the process of production is then divided into profit and interest, and the latter appears to emerge automatically from the loan capital itself.

Profit as the form of appearance of surplus value (s = M′-M = ΔM) acquired by the capitalists, and, according to the above representing the product of exploitation of the working class by capital (the class of capitalists), is transformed partially into means of private consumption for the capitalists themselves and partially into additional fixed and variable capital (i.e. additional means of production and labour power) for the expansion of production. The latter process (i.e. the conversion of surplus value into capital) is defined as *accumulation*. Through accumulation, the capitalist economy reproduces itself on an expanded scale.

From the above it emerges that money, to paraphrase a formulation of Marx, constitutes the most general form of appearance of capital. It is *the adequate form of appearance of value, that is a material embodiment of abstract and therefore equal human labour, which the capitalist has appropriated, and which in the framework of capitalist relations of exploitation is accumulated and functions as a "self-valorising value"* (see Marx 1990: 184). Put in another way, *"capital essentially produces capital"* (Marx 1991: 1020). Capital is therefore not merely "the means of production" in general as held by the Classical and Neoclassical Schools. It is the social relation of capitalistic economic exploitation and domination, which is put in motion by money. *Money* is not a mere "medium" for facilitating economic transactions. It *is the necessary form of appearance of "self-valorising value", of capital*. A highly specific role in the activation of money as capital is played by interest-bearing capital, the operations of which Marx attempts to come to grips with above all in that part of his *Manuscripts 1863-67* which appeared as Part Five of the third volume of *Capital*, particularly in chapters 21-24.

In the Marxist theory of the capitalist mode of production *both value and money are concepts which cannot be defined independently of (or before) the notion of capital. They contain (and are also contained in) the concept of capital*.

> "This circulation of money in turn leads to capital, hence can be fully developed only on the foundation of capital, just as, generally, only on this foundation can circulation seize hold of all moments of production" (Marx 1993: 776).

4. The endogeneity of money

The above-presented Marxist theory of money goes far beyond the traditional dispute over the endogeneity of money. According to Marx, money is not endogenous to the capitalist economy simply because its "supply", (comprising not only money issued by the Central Bank but also credit money and money deriving from financial innovations), cannot be independent of the "demand" (stemming from the overall economic transactions), as the Keynesian and Postkeynesian (or even Classical) tradition would argue. Money is *inherently* endogenous to the capitalist economy, as it constitutes the material "embodiment" of the system's core structure, (of the capital relation), the necessary form of appearance of capital in its circuit as "self-valorising value".

In this context, as Mollo (1999: 17, 14) correctly argues,

> "this makes the monetary authorities themselves endogenous (…) Marx's account of the genesis of money allows us to understand the necessity of the state's monetary intervention as inherent to the logic of capitalism, and in this sense as something endogenous (…) The public character of the monetary authorities does not eliminate, of course, its class foundations (…) this mediation is necessarily non-neutral, because it follows a non-neutral (and necessarily exploitative) capitalist logic, even though in some cases it may contradict the interests of individual capitalists (…) As public entities, they have superior status vis-à-vis banks and other private agents; but as a part of society they suffer from pressures determining monetary dynamics as a whole. This makes the autonomy of monetary authorities merely relative and limits their power to intervene in the economy".

Marx's point of departure was, of course, the idea that the demand for money ultimately determines its supply, following the line of argument of Thomas Tooke and the Banking School. However, he developed the far broader notion of endogeneity, to which we have just referred, as he developed his theoretical system of the Critique of the Political Economy.

Even a few years prior to commencing the researching and writing of his theoretical system for the Critique of Political Economy, Marx knew and subscribed to critiques of the "exogenous character" of the "money supply". On 3.2.1851, in a long letter to Engels:

> "What I want to take issue with is the fundamental essence of the matter. Specifically, I argue: *Even in the situation of a purely metallic currency, its expansion or contraction has nothing whatever to do with the inflow and outflow of precious metals, with a favourable or unfavourable trade balance, with favourable or unfavourable rates of exchange*, except in unusual circumstances, which in practice never arise, but can be designated theoretically. Tooke makes the same assertion. In any case I found no evidence in the *History of Prices*. (...) So the *currency* functions here not as a *cause*. Its increase is in the final analysis a *consequence* of a larger capital being activated, not the opposite" (MEW Vol. 27: 174-5).

As early as 1851, Marx's remarks were suggesting that accumulation and the process of expanded reproduction of social capital determines (and is not determined by) expansion of the amount of money in circulation, in other words "the money supply".

Marx later makes reference to "hoarding" (as the preliminary concept of saving and credit money), in order to show that the quantity of money in circulation is regulated endogenously by the movement (expanded reproduction) of capital, from which is derived the expansion or contraction of credit.

Even if one does not mention the ability of the credit system to create money whenever that becomes necessary for the process of expanded reproduction of overall capital (see below), a certain portion of the money (fluctuating in accordance with the economic conjuncture) remains out of circulation "stagnating" as a "hoard". The new theoretical framework thus allows for the introduction, retrospectively, of the concept of credit money, which is produced by the credit system within the framework of the debtor-creditor relation. Marx writes in relation to the formation of "hoards":

> "The total quantity of money in circulation must therefore perpetually increase or decrease in accordance with the changing aggregate price of the commodities in circulation, that is in accordance, on the one hand, with *the volume of their metamorphoses which take place simultaneously and, on the other hand, with the prevailing velocity of their transformation*. This is only possible provided that *the proportion of money in circulation to the total amount of money in a given country varies continuously*. Thanks to the *formation of hoards* this condition is fulfilled. (...) The solidification of circulating money into hoards and the flowing of the hoards into circulation is a continuously changing and oscillating movement, and the prevalence of the one or the other trend is solely *determined by variations in the circulation of commodities*" (MEGA II, 2: 197-8, poorly translated in Marx 1981: 136, emphasis added).

It clear however, that Marx's analysis on the endogeneity of money cannot be brought to a conclusion, as is true also of the concept of money as such, prior to analysis of the function of money as capital. Nevertheless, from what has been said previously in the course of the present analysis, we are enabled to apprehend the Marxist argumentation implicit in the extract just quoted:

a) The "circulation of commodities" is merely a manifestation of the movement of capital, of expanded reproduction of the social capital (the circuit of social capital).

b) The fluctuations in this movement are to be sought for in the Marxist theory of crises, of the economic cycle and of fluctuations in the rate of profit.

c) The *result* of this movement and of these fluctuations is the expansion or contraction of the sphere of money and credit.

Marx also makes reference to the payments which still fall dew at the end of the period; he writes:

> "The law regarding the quantity of money in circulation as it emerged from the examination of simple circulation of money is significantly modified by the circulation of means of payment. If the velocity of money, both as means of circulation and as means of payment, is given, then the aggregate amount of money in circulation during a particular period is determined by the total amount of commodity-prices to be realised [plus] the total amount of payments falling due during this period minus the payments that balance one another" (Marx 1981: 147).

Marx builds up his notion of endogeneity of money when he deals with the credit system and its role in the expanded reproduction of social capital. We know that not only in the time of Marx but even as early as the time of Adam Smith (see for example Kindleberger 1993: 79 ff.) the money available for utilisation in the economy does not include only the so-called "monetary base", i.e. the disposable liquid assets in circulation and the disposable liquid assets of lending institutions, but that monetary base augmented through loans from the above-mentioned institutions to individuals and companies (the credit system as a producer of money), which loans always involve sums many times greater than the disposable liquid assets of the banks (irrespective of whether they consist of disposable assets in the form of bullion, metallic coin or of paper money). Credit money circulates in the form of promissory notes, overdraft loan accounts,[16] government securities, etc. while at the same time the actions of clearance carried out through the credit system make it possible for there to be transactions without any actual cash changing hands, etc., so that the overall amount (supply) of disposable money and money in circulation will differ to a greater or lesser extent from the total sum of liquid assets, and even more so of coin.

It is quite possible to come to an understanding of these different forms of money in the framework of Marxist theory, since this theory perceives money as *the necessary form of appearance of value* (and so of *capital*) and value not as a quality of each individual commodity but as a *comprehensive social-economic* relation (mediated through money).[17] It is a relation derived from (and linked to) the structural characteristics of the capitalist mode of production, which is why comprehension of it presupposes the concept of capital. Value, as Engelskirchen (2001) correctly argues, being the social relation uniting all "independent commodity producers", can be conceptualised as a claim on the labour product of others.

Money is not a mere means of exchange (regulated by the public authorities) or even the representative of a material or of a commodity, but the "embodiment" of the

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[16] "Instead of a paper note, the bank can open a credit account for A, so that A, as its debtor, becomes an imaginary depositor" (Marx 1991: 589).

[17] This explains why "exchange value" (price), as the form of appearance of value, adheres to nearly "everything" in the capitalist system, and not only to "produced goods". In this connection, we remind the reader that money has no price, and its "value" can only be assessed through the Marxian formula of "total or expanded form of value": it is the series of commodities (given the role of the "equivalent") that can be purchased with one monetary unit. For this reason, not even metallic money is a commodity like others, but an "object" in the body of which value finds representation and which, in the words of Marx "it is universal wealth in an individual form" (Marx 1981: 125). In the *Grundrisse* this position of Marx is formulated with even greater clarity: "In order to realise the commodity as exchange value in one stroke, and in order to give it the general influence of an exchange value, it is not enough to exchange it for one particular commodity. It must be exchanged against a third thing which is not in turn itself a particular commodity, but is the symbol of the commodity as commodity, of the commodity's exchange value itself; *which thus represents, say, labour time as such*, say a piece of paper or of leather, which represents a fractional part of labour time. (Such a symbol presupposes general recognition; it can only be a social symbol; it expresses, indeed, nothing more than a social relation)" (Marx 1993: 144). In the 1st Volume of *Capital*, Marx explains that often there is no point in distinguishing between the different forms of money: "In a crisis, the antithesis between commodities and their value-form, money, is raised to the level of an absolute contradiction. Hence, money's form of appearance is here also a matter of indifference. The monetary famine remains whether payments have to be made in gold or in credit-money, such as bank-notes" (Marx 1990: 236-7). (For the question of the "money commodity" but also the extensive Marxist discussion around this question, see Heinrich 1999: 233-44. For a convincing vindication of the thesis that the reduction of money to a commodity constitutes a confusion of categories within Marx's system, see Williams 1998. For the opposite position, according to which money has to be a commodity with intrinsic value, see Matsumoto 2001.

capital relation: It can thus be *produced within the framework of the expanded reproduction of this relation* (i.e. independently of any commodity or material issued by the authorities), and this is exactly what happens when the bank opens an advance credit account for a businessman client. The loans and the credit of every bank always amount to a sum many times greater than its liquid assets. In the first place, the bank does not simply transfer some already existing sum of paper money or gold (belonging to itself or to its depositors). It creates additional credit money (since credit money is created at precisely the moment the loan is concluded, e.g. through loan-consolidation services), without making demands on some treasury or other. That is to say it expands, depending on the conjuncture (the expected rate of profit, etc.) the boundaries of the formula:

$$M—C\ (= Mp+Lp)\ [\rightarrow P \rightarrow C']—M',$$

in which the client(s) is (are) implicated. Credit is a demand on *future* production, but it functions as money (exchange value) in the present. Through this procedure the bank will cream off, in the form of interest, a part of the profit ($\Delta M=M'-M$) which will enable it to expand further, at a multiplying rate, its credit and loans. In this way it creates the prerequisites for production of profit to an extent *regulated by the particularities of the specific conjuncture.* It becomes thus clear that:

> "this social character of capital is mediated and completely realised only by the full development of the credit and banking system" (Marx 1991: 742).

The implication of the above is that the creation of credit money (the expansion of credit) takes place under preconditions which make possible the expanded reproduction of capital at a given rate. In other words, they allow the expansion of the process of surplus-value extraction from labour, as well as the process of surplus value accumulation. These preconditions are judged by the economic parties concerned (banks, entrepreneurs) to secure:

a) the existence of an additional supply of means of production and labour power, in quantities and at prices which make possible the expansion of the individual capitals resorting to borrowing,

b) the capacity of these individual capitals, through expanding their production, to manufacture a product in quantities and at prices that will secure its absorption by demand capable to pay,

c) the ability of capitals in question to secure by this means a sufficient rate of profit to make it worthwhile for them to have concluded the loan (and thus expanded the credit).[18]

At the level of the economy as a whole, Marx studied the issues connected with points (a) and (b) in the 2nd volume of *Capital*, part three, where he examined the

[18] "The limits of this commercial credit, considered by itself, are (1) the wealth of the industrialists and merchants, i.e. the reserve capital at their disposal in case of a delay in returns; (2) these returns themselves. They may be delayed in time, or commodity prices may fall in the meantime, or again the commodities may temporarily become unsaleable as a result of a glut on the market. (…) The development of the production process expands credit, while credit in turn leads to an expansion of industrial and commercial operations. (…) The maximum of credit is the same thing here as the fullest employment of industrial capital, i.e. the utmost taxing of its reproductive power" (Marx 1991: 611-12, 612, 613).

conditions of “reproduction and circulation of the total social capital”. The issues bearing on point (c) were examined by Marx in the 3rd volume of Capital, both in relation to fluctuation of the average rate of profit and economic crises (sections 1–3) and in relation to money capital and the credit system (sections 4 and 5. Under the preconditions mentioned, money capital appears to have:

> “the power of producing surplus-value in geometric progression by way of an inherent secret quality, as a pure automaton, so that this accumulated product of labour (...) has long since discounted the whole world’s wealth for all time, as belonging to it by right and rightfully coming its way” (Marx 1991: 523-4).

Money, according to the Marxian analysis of credit and expanded reproduction of the total social capital can neither be regarded the “product” of an “authority” which acts “exogenously” to the economy, nor can it be reduced to a “commodity” with “intrinsic value”. Money (in all its forms) is a form of appearance of the capital-relation:

> “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 (…) This must show itself in two ways, particularly in developed capitalist countries, which replace money to a large extent either by credit operations or by credit money. (…) In former modes of production, this does not happen, because given the narrow basis on which these move, neither credit nor credit money is able to develop” (Marx 1991: 648-9).

Conclusion

The analysis of Marx shows that the capital *relation* necessarily manifests itself in the form of a *“thing”*, of an “object”, this “thing” being money. For the analysis of money Marx takes as his point of departure the model of simple barter exchange (“the simple, isolated or accidental form of value”), and so he initially presents the “thing” which measures value and embodies the capital relation as a produced commodity. However, it is not a pre-existing material body which allows the expression of value, but, on the contrary, it is the expanded reproduction of the capital relation, the circuit of social capital functioning as “self-valorising value” which creates the (quantity of the) “thing” “materialising” value and capital. That is why, as capitalism develops, money unleashes itself from any commodity that has acted in the past as its “material body”.

It is in this sense, that money is conceived as inherently endogenous to the capitalist economy. This endogenous character is also entailed to the monetary authorities, who (as part of the overall state operation) safeguard the conditions which are necessary to the expanded reproduction of the capital relation.

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