Chapter 1: The Commodity

1. THE TWO FACTORS OF THE COMMODITY: USE-VALUE AND VALUE (SUBSTANCE OF VALUE, MAGNITUDE OF VALUE)

The wealth of societies in which the capitalist mode of production prevails appears as an 'immense collection of commodities'[1]; the individual commodity appears as its elementary form. Our investigation therefore begins with the analysis of the commodity.

The commodity is, first of all, an external object, a thing which through its qualities satisfies human needs of whatever kind. The nature of these needs, whether they arise, for example, from the stomach, or the imagination, makes no difference.[2] Nor does it matter here how the thing satisfies man's need, whether directly as a means of subsistence, i.e. an object of consumption, or indirectly as a means of production.

Every useful thing, for example, iron, paper, etc., may be looked at from the two points of view of quality and quantity. Every useful thing is a whole composed of many properties; it can therefore be useful in various ways. The discovery of these ways and hence of the manifold uses of things is the work of history.[3] So also is the invention of socially recognized standards of measurement for the quantities of these useful objects. The diversity of the

1. Karl Marx, *Zur Kritik der Politischen Ökonomie*, Berlin, 1859, p. 3 [English translation, p. 27].

2. 'Desire implies want; it is the appetite of the mind, and as natural as hunger to the body... The greatest number (of things) have their value from supplying the wants of the mind' (Nicholas Barbon, *A Discourse on Coining the New Money Lighter. In Answer to Mr Locke's Considerations etc.*, London, 1696, pp. 2, 3).

3. 'Things have an intrinsick vertue' (this is Barbon's special term for use-value) 'which in all places have the same vertue; as the loadstone to attract iron' (op. cit., p. 6). The magnet's property of attracting iron only became useful once it had led to the discovery of magnetic polarity.

measures for commodities arises in part from the diverse nature of the objects to be measured, and in part from convention.

The usefulness of a thing makes it a use-value.[4] But this usefulness does not dangle in mid-air. It is conditioned by the physical properties of the commodity, and has no existence apart from the latter. It is therefore the physical body of the commodity itself, for instance iron, corn, a diamond, which is the use-value or useful thing. This property of a commodity is independent of the amount of labour required to appropriate its useful qualities. When examining use-values, we always assume we are dealing with definite quantities, such as dozens of watches, yards of linen, or tons of iron. The use-values of commodities provide the material for a special branch of knowledge, namely the commercial knowledge of commodities.[5] Use-values are only realized [*verwirklicht*] in use or in consumption. They constitute the material content of wealth, whatever its social form may be. In the form of society to be considered here they are also the material bearers [*Träger*] of . . . exchange-value.

Exchange-value appears first of all as the quantitative relation, the proportion, in which use-values of one kind exchange for use-values of another kind.[6] This relation changes constantly with time and place. Hence exchange-value appears to be something accidental and purely relative, and consequently an intrinsic value, i.e. an exchange-value that is inseparably connected with the commodity, inherent in it, seems a contradiction in terms.[7] Let us consider the matter more closely.

4. 'The natural worth of anything consists in its fitness to supply the necessities, or serve the conveniences of human life' (John Locke, 'Some Considerations on the Consequences of the Lowering of Interest' (1691), in *Works*, London, 1777, Vol. 2, p. 28). In English writers of the seventeenth century we still often find the word 'worth' used for use-value and 'value' for exchange-value. This is quite in accordance with the spirit of a language that likes to use a Teutonic word for the actual thing, and a Romance word for its reflection.

5. In bourgeois society the legal fiction prevails that each person, as a buyer, has an encyclopedic knowledge of commodities.

6. 'Value consists in the exchange relation between one thing and another, between a given amount of one product and a given amount of another' (Le Trosne, *De l'intérêt social*, in *Physiocrates*, ed. Daire, Paris, 1846, p. 889).

7. 'Nothing can have an intrinsick value' (N. Barbon, op. cit., p. 6); or as Butler says:

'The value of a thing
Is just as much as it will bring.'*

*Samuel Butler, *Hudibras*, Part 2, Canto 1, lines 465–6, 'For what is worth in any thing, but so much money as 'twill bring?'

A given commodity, a quarter of wheat for example, is exchanged for *x* boot-polish, *y* silk or *z* gold, etc. In short, it is exchanged for other commodities in the most diverse proportions. Therefore the wheat has many exchange values instead of one. But *x* boot-polish, *y* silk or *z* gold, etc., each represent the exchange-value of one quarter of wheat. Therefore *x* boot-polish, *y* silk, *z* gold, etc., must, as exchange-values, be mutually replaceable or of identical magnitude. It follows from this that, firstly, the valid exchange-values of a particular commodity express something equal, and secondly, exchange-value cannot be anything other than the mode of expression, the 'form of appearance',* of a content distinguishable from it.

Let us now take two commodities, for example corn and iron. Whatever their exchange relation may be, it can always be represented by an equation in which a given quantity of corn is equated to some quantity of iron, for instance 1 quarter of corn = *x* cwt of iron. What does this equation signify? It signifies that a common element of identical magnitude exists in two different things, in 1 quarter of corn and similarly in *x* cwt of iron. Both are therefore equal to a third thing, which in itself is neither the one nor the other. Each of them, so far as it is exchange-value, must therefore be reducible to this third thing.

A simple geometrical example will illustrate this. In order to determine and compare the areas of all rectilinear figures we split them up into triangles. Then the triangle itself is reduced to an expression totally different from its visible shape: half the product of the base and the altitude. In the same way the exchange values of commodities must be reduced to a common element, of which they represent a greater or a lesser quantity.

This common element cannot be a geometrical, physical, chemical or other natural property of commodities. Such properties come into consideration only to the extent that they make the commodities useful, i.e. turn them into use-values. But clearly, the exchange relation of commodities is characterized precisely by its abstraction from their use-values. Within the exchange relation, one use-value is worth just as much as another, provided only that it is present in the appropriate quantity. Or, as old Barbon says: 'One sort of wares are as good as another, if the value be equal. There is no difference or distinction in things of equal value . . .

* *Erscheinungsform*. This word appears in inverted commas in the original.

One hundred pounds worth of lead or iron, is of as great a value as one hundred pounds worth of silver and gold.'[8]

As use-values, commodities differ above all in quality, while as exchange-values they can only differ in quantity, and therefore do not contain an atom of use-value.

If then we disregard the use-value of commodities, only one property remains, that of being products of labour. But even the product of labour has already been transformed in our hands. If we make abstraction from its use-value, we abstract also from the material constituents and forms which make it a use-value. It is no longer a table, a house, a piece of yarn or any other useful thing. All its sensuous characteristics are extinguished. Nor is it any longer the product of the labour of the joiner, the mason or the spinner, or of any other particular kind of productive labour. With the disappearance of the useful character of the products of labour, the useful character of the kinds of labour embodied in them also disappears; this in turn entails the disappearance of the different concrete forms of labour. They can no longer be distinguished, but are all together reduced to the same kind of labour, human labour in the abstract.

Let us now look at the residue of the products of labour. There is nothing left of them in each case but the same phantom-like objectivity; they are merely congealed quantities of homogeneous human labour, i.e. of human labour-power expended without regard to the form of its expenditure. All these things now tell us is that human labour-power has been expended to produce them, human labour is accumulated in them. As crystals of this social substance, which is common to them all, they are values – commodity values [*Warenwerte*].

We have seen that when commodities are in the relation of exchange, their exchange-value manifests itself as something totally independent of their use-value. But if we abstract from their use-value, there remains their value, as it has just been defined. The common factor in the exchange relation, or in the exchange-value of the commodity, is therefore its value. The progress of the investigation will lead us back to exchange-value as the necessary mode of expression, or form of appearance, of value. For the present, however, we must consider the nature of value independently of its form of appearance [*Erscheinungs form*].

8. N. Barbon, op. cit., pp. 53 and 7.

A use-value, or useful article, therefore, has value only because abstract human labour is objectified [*vergegenständlicht*] or materialized in it. 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. This quantity is measured by its duration, and the labour-time is itself measured on the particular scale of hours, days etc.

It might seem that if the value of a commodity is determined by the quantity of labour expended to produce it, it would be the more valuable the more unskilful and lazy the worker who produced it, because he would need more time to complete the article. However, the labour that forms the substance of value is equal human labour, the expenditure of identical human labour-power. The total labour-power of society, which is manifested in the values of the world of commodities, counts here as one homogeneous mass of human labour-power, although composed of innumerable individual units of labour-power. Each of these units is the same as any other, to the extent that it has the character of a socially average unit of labour-power and acts as such, i.e. only needs, in order to produce a commodity, the labour time which is necessary on an average, or in other words is socially necessary. Socially necessary labour-time is the labour-time required to produce any use-value under the conditions of production normal for a given society and with the average degree of skill and intensity of labour prevalent in that society. The introduction of power-looms into England, for example, probably reduced by one half the labour required to convert a given quantity of yarn into woven fabric. In order to do this, the English hand-loom weaver in fact needed the same amount of labour-time as before; but the product of his individual hour of labour now only represented half an hour of social labour, and consequently fell to one half its former value.

What exclusively determines the magnitude of the value of any article is therefore the amount of labour socially necessary, or the labour-time socially necessary for its production.[9] The individual

9. 'The value of them' (the necessaries of life) 'when they are exchanged the one for another, is regulated by the quantity of labour necessarily required, and commonly taken in producing them' (*Some Thoughts on the Interest of Money in General, and Particularly in the Publick Funds*, London, pp. 36, 37). This remarkable anonymous work of the eighteenth century bears no date. However, it is clear from its contents that it appeared in the reign of George II, about 1739 or 1740.

commodity counts here only as an average sample of its kind.[10] Commodities which contain equal quantities of labour, or which can be produced in the same time, have therefore the same value. The value of a commodity is related to the value of any other commodity as the labour-time necessary for the production of the one is related to the labour-time necessary for the production of the other. 'As exchange-values, all commodities are merely definite quantities of *congealed labour-time*.'[11]

The value of a commodity would therefore remain constant, if the labour-time required for its production also remained constant. But the latter changes with every variation in the productivity of labour. This is determined by a wide range of circumstances; it is determined amongst other things by the workers' average degree of skill, the level of development of science and its technological application, the social organization of the process of production, the extent and effectiveness of the means of production, and the conditions found in the natural environment. For example, the same quantity of labour is present in eight bushels of corn in favourable seasons and in only four bushels in unfavourable seasons. The same quantity of labour provides more metal in rich mines than in poor. Diamonds are of very rare occurrence on the earth's surface, and hence their discovery costs, on an average, a great deal of labour-time. Consequently much labour is represented in a small volume. Jacob questions whether gold has ever been paid for at its full value.* This applies still more to diamonds. According to Eschwege, the total produce of the Brazilian diamond mines for the eighty years ending in 1823 still did not amount to the price of 1½ years' average produce of the sugar and coffee plantations of the same country,† although the diamonds represented much more labour, therefore more value. With richer mines, the same quantity of labour would be embodied in more diamonds, and their value would fall. If man succeeded, without much labour, in transforming carbon into diamonds,

10. 'Properly speaking, all products of the same kind form a single mass, and their price is determined in general and without regard to particular circumstances' (Le Trosne, op. cit., p. 893).

11. Karl Marx, op. cit., p. 6 [English translation, p. 30].

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* William Jacob, *An Historical Enquiry into the Production and Consumption of the Precious Metals*, London, 1831, Vol. 2, p. 101.

† This information comes from H. A. M. Merivale, *Lectures on Colonization and Colonies*, London, 1841. Cf. *Grundrisse*, p. 833.

their value might fall below that of bricks. In general, the greater the productivity of labour, the less the labour-time required to produce an article, the less the mass of labour crystallized in that article, and the less its value. Inversely, the less the productivity of labour, the greater the labour-time necessary to produce an article, and the greater its value. The value of a commodity, therefore, varies directly as the quantity, and inversely as the productivity, of the labour which finds its realization within the commodity. (Now we know the *substance* of value. It is *labour*. We know the *measure of its magnitude*. It is *labour-time*. The *form*, which stamps *value* as *exchange-value*, remains to be analysed. But before this we need to develop the characteristics we have already found somewhat more fully.)*

A thing can be a use-value without being a value. This is the case whenever its utility to man is not mediated through labour. Air, virgin soil, natural meadows, unplanted forests, etc. fall into this category. A thing can be useful, and a product of human labour, without being a commodity. He who satisfies his own need with the product of his own labour admittedly creates use-values, but not commodities. In order to produce the latter, he must not only produce use-values, but use-values for others, social use-values. (And not merely for others. The medieval peasant produced a corn-rent for the feudal lord and a corn-tithe for the priest; but neither the corn-rent nor the corn-tithe became commodities simply by being produced for others. In order to become a commodity, the product must be transferred to the other person, for whom it serves as a use-value, through the medium of exchange.)† Finally, nothing can be a value without being an object of utility. If the thing is useless, so is the labour contained in it; the labour does not count as labour, and therefore creates no value.

2. THE DUAL CHARACTER OF THE LABOUR EMBODIED IN COMMODITIES

Initially the commodity appeared to us as an object with a dual character, possessing both use-value and exchange-value. Later

* The passage in parentheses occurs only in the first edition.

† [Note by Engels to the fourth German edition:] I have inserted the passage in parentheses because, through its omission, the misconception has very frequently arisen that Marx regarded every product consumed by someone other than the producer as a commodity.

on it was seen that labour, too, has a dual character: in so far as it finds its expression in value, it no longer possesses the same characteristics as when it is the creator of use-values. I was the first to point out and examine critically this twofold nature of the labour contained in commodities.[12] As this point is crucial to an understanding of political economy, it requires further elucidation.

Let us take two commodities, such as a coat and 10 yards of linen, and let the value of the first be twice the value of the second, so that, if 10 yards of linen = W, the coat = $2W$.

The coat is a use-value that satisfies a particular need. A specific kind of productive activity is required to bring it into existence. This activity is determined by its aim, mode of operation, object, means and result. We use the abbreviated expression 'useful labour' for labour whose utility is represented by the use-value of its product, or by the fact that its product is a use-value. In this connection we consider only its useful effect.

As the coat and the linen are qualitatively different use-values, so also are the forms of labour through which their existence is mediated – tailoring and weaving. If the use-values were not qualitatively different, hence not the products of qualitatively different forms of useful labour, they would be absolutely incapable of confronting each other as commodities. Coats cannot be exchanged for coats, one use-value cannot be exchanged for another of the same kind.

The totality of heterogeneous use-values or physical commodities reflects a totality of similarly heterogeneous forms of useful labour, which differ in order, genus, species and variety: in short, a social division of labour. This division of labour is a necessary condition for commodity production, although the converse does not hold; commodity production is not a necessary condition for the social division of labour. Labour is socially divided in the primitive Indian community, although the products do not thereby become commodities. Or, to take an example nearer home, labour is systematically divided in every factory, but the workers do not bring about this division by exchanging their individual products. Only the products of mutually independent acts of labour, performed in isolation, can confront each other as commodities.

To sum up, then: the use-value of every commodity contains

12. Karl Marx, op. cit., pp. 12, 13, and passim [English translation, pp. 41, 42].

useful labour, i.e. productive activity of a definite kind, carried on with a definite aim. Use-values cannot confront each other as commodities unless the useful labour contained in them is qualitatively different in each case. In a society whose products generally assume the form of commodities, i.e. in a society of commodity producers, this qualitative difference between the useful forms of labour which are carried on independently and privately by individual producers develops into a complex system, a social division of labour.

It is moreover a matter of indifference whether the coat is worn by the tailor or by his customer. In both cases it acts as a use-value. So, too, the relation between the coat and the labour that produced it is not in itself altered when tailoring becomes a special trade, an independent branch of the social division of labour. Men made clothes for thousands of years, under the compulsion of the need for clothing, without a single man ever becoming a tailor. But the existence of coats, of linen, of every element of material wealth not provided in advance by nature, had always to be mediated through a specific productive activity appropriate to its purpose, a productive activity that assimilated particular natural materials to particular human requirements. Labour, then, as the creator of use-values, as useful labour, is a condition of human existence which is independent of all forms of society; it is an eternal natural necessity which mediates the metabolism between man and nature, and therefore human life itself.

Use-values like coats, linen, etc., in short, the physical bodies of commodities, are combinations of two elements, the material provided by nature, and labour. If we subtract the total amount of useful labour of different kinds which is contained in the coat, the linen, etc., a material substratum is always left. This substratum is furnished by nature without human intervention. When man engages in production, he can only proceed as nature does herself, i.e. he can only change the form of the materials.[13] Furthermore,

13. 'All the phenomena of the universe, whether produced by the hand of man or indeed by the universal laws of physics, are not to be conceived of as acts of creation but solely as a reordering of matter. Composition and separation are the only elements found by the human mind whenever it analyses the notion of reproduction; and so it is with the reproduction of value' (use-value, although Verri himself, in this polemic against the Physiocrats, is not quite certain of the kind of value he is referring to) 'and wealth, whether earth, air and water are turned into corn in the fields, or the secretions of an insect are turned into silk by the hand of man, or some small pieces of metal are

even in this work of modification he is constantly helped by natural forces. Labour is therefore not the only source of material wealth, i.e. of the use-values it produces. As William Petty says, labour is the father of material wealth, the earth is its mother.*

Let us now pass from the commodity as an object of utility to the value of commodities.

We have assumed that the coat is worth twice as much as the linen. But this is merely a quantitative difference, and does not concern us at the moment. We shall therefore simply bear in mind that if the value of a coat is twice that of 10 yards of linen, 20 yards of linen will have the same value as a coat. As values, the coat and the linen have the same substance, they are the objective expressions of homogeneous labour. But tailoring and weaving are qualitatively different forms of labour. There are, however, states of society in which the same man alternately makes clothes and weaves. In this case, these two different modes of labour are only modifications of the labour of the same individual and not yet fixed functions peculiar to different individuals, just as the coat our tailor makes today, and the pair of trousers he makes tomorrow, require him only to vary his own individual labour. Moreover, we can see at a glance that in our capitalist society a given portion of labour is supplied alternately in the form of tailoring and in the form of weaving, in accordance with changes in the direction of the demand for labour. This change in the form of labour may well not take place without friction, but it must take place.

If we leave aside the determinate quality of productive activity, and therefore the useful character of the labour, what remains is its quality of being an expenditure of human labour-power. Tailoring and weaving, although they are qualitatively different productive activities, are both a productive expenditure of human brains, muscles, nerves, hands etc., and in this sense both human labour. They are merely two different forms of the expenditure of human labour-power. Of course, human labour-power must itself

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arranged together to form a repeating watch' (Pietro Verri, *Meditazioni sulla economia politica* – first printed in 1771 – in Custodi's edition of the Italian economists, *Parte moderna*, Vol. 15, pp. 21, 22).

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* *A Treatise of Taxes and Contributions*, published anonymously by William Petty, London, 1667, p. 47.

have attained a certain level of development before it can be expended in this or that form. But the value of a commodity represents human labour pure and simple, the expenditure of human labour in general. And just as, in civil society, a general or a banker plays a great part but man as such plays a very mean part,[14] so, here too, the same is true of human labour. It is the expenditure of simple labour-power, i.e. of the labour-power possessed in his bodily organism by every ordinary man, on the average, without being developed in any special way. *Simple average labour*, it is true, varies in character in different countries and at different cultural epochs, but in a particular society it is given. More complex labour counts only as *intensified*, or rather *multiplied* simple labour, so that a smaller quantity of complex labour is considered equal to a larger quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the outcome of the most complicated labour, but through its *value* it is posited as equal to the product of simple labour, hence it represents only a specific quantity of simple labour.[15] The various proportions in which different kinds of labour are reduced to simple labour as their unit of measurement are established by a social process that goes on behind the backs of the producers; these proportions therefore appear to the producers to have been handed down by tradition. In the interests of simplification, we shall henceforth view every form of labour-power directly as simple labour-power; by this we shall simply be saving ourselves the trouble of making the reduction.

Just as, in viewing the coat and the linen as values, we abstract from their different use-values, so, in the case of the labour represented by those values, do we disregard the difference between its useful forms, tailoring and weaving. The use-values coat and linen are combinations of, on the one hand, productive activity with a definite purpose, and, on the other, cloth and yarn; the values coat and linen, however, are merely congealed

14. Cf. Hegel, *Philosophie des Rechts*, Berlin, 1840, p. 250, para. 190.*

15. The reader should note that we are not speaking here of the wages or value the worker receives for (e.g.) a day's labour, but of the value of the commodity in which his day of labour is objectified. At this stage of our presentation, the category of wages does not exist at all.

*Hegel says here: 'In civil society as a whole, at the standpoint of needs, what we have before us is the composite idea which we call man. Thus this is the first time, and indeed the only time, to speak of man in this sense' (*Hegel's Philosophy of Right*, tr. T. M. Knox, Oxford, 1952, p. 127).

quantities of homogeneous labour. In the same way, the labour contained in these values does not count by virtue of its productive relation to cloth and yarn, but only as being an expenditure of human labour-power. Tailoring and weaving are the formative elements in the use-values coat and linen, precisely because these two kinds of labour are of different qualities; but only in so far as abstraction is made from their particular qualities, only in so far as both possess the same quality of being human labour, do tailoring and weaving form the substance of the values of the two articles mentioned.

Coats and linen, however, are not merely values in general, but values of definite magnitude, and, following our assumption, the coat is worth twice as much as the 10 yards of linen. Why is there this difference in value? Because the linen contains only half as much labour as the coat, so that labour-power had to be expended twice as long to produce the second as to produce the first.

While, therefore, with reference to use-value, the labour contained in a commodity counts only qualitatively, with reference to value it counts only quantitatively, once it has been reduced to human labour pure and simple. In the former case it was a matter of the 'how' and the 'what' of labour, in the latter of the 'how much', of the temporal duration of labour. Since the magnitude of the value of a commodity represents nothing but the quantity of labour embodied in it, it follows that all commodities, when taken in certain proportions, must be equal in value.

If the productivity of all the different sorts of useful labour required, let us say, for the production of a coat remains unchanged, the total value of the coats produced will increase along with their quantity. If one coat represents x days' labour, two coats will represent $2x$ days' labour, and so on. But now assume that the duration of the labour necessary for the production of a coat is doubled or halved. In the first case, one coat is worth as much as two coats were before; in the second case two coats are only worth as much as one was before, although in both cases one coat performs the same service, and the useful labour contained in it remains of the same quality. One change has taken place, however: a change in the quantity of labour expended to produce the article.

In itself, an increase in the quantity of use-values constitutes an increase in material wealth. Two coats will clothe two men, one coat will only clothe one man, etc. Nevertheless, an increase in the amount of material wealth may correspond to a simultaneous fall in the magnitude of its value. This contradictory movement arises out of the twofold character of labour. By 'productivity' of course, we always mean the productivity of concrete useful labour; in reality this determines only the degree of effectiveness of productive activity directed towards a given purpose within a given period of time. Useful labour becomes, therefore, a more or less abundant source of products in direct proportion as its productivity rises or falls. As against this, however, variations in productivity have no impact whatever on the labour itself represented in value. As productivity is an attribute of labour in its concrete useful form, it naturally ceases to have any bearing on that labour as soon as we abstract from its concrete useful form. The same labour, therefore, performed for the same length of time, always yields the same amount of value, independently of any variations in productivity. But it provides different quantities of use-values during equal periods of time; more, if productivity rises; fewer, if it falls. For this reason, the same change in productivity which increases the fruitfulness of labour, and therefore the amount of use-values produced by it, also brings about a reduction in the value of this increased total amount, if it cuts down the total amount of labour-time necessary to produce the use-values. The converse also holds.

On the one hand, all labour is an expenditure of human labour-power, in the physiological sense, and it is in this quality of being equal, or abstract, human labour that it forms the value of commodities. On the other hand, all labour is an expenditure of human labour-power in a particular form and with a definite aim, and it is in this quality of being concrete useful labour that it produces use-values.[16]

16. In order to prove that 'labour alone is the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared', Adam Smith* says this: 'Equal quantities of labour, at all times and places, must have the same value for the labourer. In his ordinary state of health, strength and activity; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty, and his happiness' (*Wealth of Nations*, Bk I, Ch. 5 [pp. 104–5]). On the one hand, Adam Smith here (but not everywhere) confuses his determination of value by the quantity of labour expended in the production of commodities with the determination of the values of commodities by the value of labour, and therefore endeavours to prove that equal quantities of labour always have the same

*Here, as elsewhere occasionally, Marx quotes an English author in German. This explains certain slight divergences from the original English text.

3. THE VALUE-FORM, OR EXCHANGE-VALUE

Commodities come into the world in the form of use-values or material goods, such as iron, linen, corn, etc. This is their plain, homely, natural form. However, they are only commodities because they have a dual nature, because they are at the same time objects of utility and bearers of value. Therefore they only appear as commodities, or have the form of commodities, in so far as they possess a double form, i.e. natural form and value form.

The objectivity of commodities as values differs from Dame Quickly in the sense that 'a man knows not where to have it'.* Not an atom of matter enters into the objectivity of commodities as values; in this it is the direct opposite of the coarsely sensuous objectivity of commodities as physical objects. We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value. However, let us remember that commodities possess an objective character as values only in so far as they are all expressions of an identical social substance, human labour, that their objective character as values is therefore

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value. On the other hand, he has a suspicion that, in so far as labour manifests itself in the value of commodities, it only counts as an expenditure of labour-power; but then again he views this expenditure merely as the sacrifice of rest, freedom and happiness, not as also man's normal life-activity. Of course, he has the modern wage-labourer in mind. Adam Smith's anonymous predecessor, cited in note 9, is much nearer the mark when he says: 'One man has employed himself a week in providing this necessary of life . . . and he that gives him some other in exchange, cannot make a better estimate of what is a proper equivalent, than by computing what cost him just as much labour and time: which in effect is no more than exchanging one man's labour in one thing for a time certain, for another man's labour in another thing for the same time' (*Some Thoughts on the Interest of Money in General etc.*, p. 39). [Note by Engels to the fourth German edition:] The English language has the advantage of possessing two separate words for these two different aspects of labour. Labour which creates use-values and is qualitatively determined is called 'work' as opposed to 'labour'; labour which creates value and is only measured quantitatively is called 'labour', as opposed to 'work'.†

† Unfortunately, English usage does not always correspond to Engels' distinction. We have tried to adopt it where possible.

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* Falstaff: Why, she's neither fish nor flesh; a man knows not where to have her.

Dame Quickly: Thou art an unjust man in saying so: thou or any man knows where to have me, thou knave, thou!

(*Henry IV*, Part 1, Act 3, Scene 3.)

purely social. From this it follows self-evidently that it can only appear in the social relation between commodity and commodity. In fact we started from exchange-value, or the exchange relation of commodities, in order to track down the value that lay hidden within it. We must now return to this form of appearance of value.

Everyone knows, if nothing else, that commodities have a common value-form which contrasts in the most striking manner with the motley natural forms of their use-values. I refer to the money-form. Now, however, we have to perform a task never even attempted by bourgeois economics. That is, we have to show the origin of this money-form, we have to trace the development of the expression of value contained in the value-relation of commodities from its simplest, almost imperceptible outline to the dazzling money-form. When this has been done, the mystery of money will immediately disappear.

The simplest value-relation is evidently that of one commodity to another commodity of a different kind (it does not matter which one). Hence the relation between the values of two commodities supplies us with the simplest expression of the value of a single commodity.

(a) The Simple, Isolated, or Accidental Form of Value

x commodity A $=$ y commodity B or: x commodity A is worth y commodity B.

(20 yards of linen = 1 coat, or: 20 yards of linen are worth 1 coat)

(1) *The two poles of the expression of value: the relative form of value and the equivalent form*

The whole mystery of the form of value lies hidden in this simple form. Our real difficulty, therefore, is to analyse it.

Here two different kinds of commodities (in our example the linen and the coat) evidently play two different parts. The linen expresses its value in the coat; the coat serves as the material in which that value is expressed. The first commodity plays an active role, the second a passive one. The value of the first commodity is represented as relative value, in other words the commodity is in the relative form of value. The second commodity fulfils the function of equivalent, in other words it is in the equivalent form.

The relative form of value and the equivalent form are two inseparable moments, which belong to and mutually condition each other; but, at the same time, they are mutually exclusive or opposed extremes, i.e. poles of the expression of value. They are always divided up between the different commodities brought into relation with each other by that expression. I cannot, for example, express the value of linen in linen. 20 yards of linen = 20 yards of linen is not an expression of value. The equation states rather the contrary: 20 yards of linen are nothing but 20 yards of linen, a definite quantity of linen considered as an object of utility. The value of the linen can therefore only be expressed relatively, i.e. in another commodity. The relative form of the value of the linen therefore presupposes that some other commodity confronts it in the equivalent form. On the other hand, this other commodity, which figures as the equivalent, cannot simultaneously be in the relative form of value. It is not the latter commodity whose value is being expressed. It only provides the material in which the value of the first commodity is expressed.

Of course, the expression 20 yards of linen = 1 coat, or 20 yards of linen are worth 1 coat, also includes its converse: 1 coat = 20 yards of linen, or 1 coat is worth 20 yards of linen. But in this case I must reverse the equation, in order to express the value of the coat relatively; and, if I do that, the linen becomes the equivalent instead of the coat. The same commodity cannot, therefore, simultaneously appear in both forms in the same expression of value. These forms rather exclude each other as polar opposites.

Whether a commodity is in the relative form or in its opposite, the equivalent form, entirely depends on its actual position in the expression of value. That is, it depends on whether it is the commodity whose value is being expressed, or the commodity in which value is being expressed.

(2) *The relative form of value*

(i) *The content of the relative form of value* In order to find out how the simple expression of the value of a commodity lies hidden in the value-relation between two commodities, we must, first of all, consider the value-relation quite independently of its quantitative aspect. The usual mode of procedure is the precise opposite of this: nothing is seen in the value-relation but the proportion in which definite quantities of two sorts of commodity count as equal to each other. It is overlooked that the magnitudes of different things only become comparable in quantitative terms when they have been reduced to the same unit. Only as expressions of the same unit do they have a common denominator, and are therefore commensurable magnitudes.[17]

Whether 20 yards of linen = 1 coat or = 20 coats or = x coats, i.e. whether a given quantity of linen is worth few or many coats, it is always implied, whatever the proportion, that the linen and the coat, as magnitudes of value, are expressions of the same unit, things of the same nature. Linen = coat is the basis of the equation.

But these two qualitatively equated commodities do not play the same part. It is only the value of the linen that is expressed. And how? By being related to the coat as its 'equivalent', or 'the thing exchangeable' with it. In this relation the coat counts as the form of existence of value, as the material embodiment of value, for only as such is it the same as the linen. On the other hand, the linen's own existence as value comes into view or receives an independent expression, for it is only as value that it can be related to the coat as being equal in value to it, or exchangeable with it. In the same way, butyric acid is a different substance from propyl formate. Yet both are made up of the same chemical substances, carbon (C), hydrogen (H) and oxygen (O). Moreover, these substances are combined together in the same proportions in each case, namely $C_4H_8O_2$. If now butyric acid were to be equated with propyl formate, then, in the first place, propyl formate would count in this relation only as a form of existence of $C_4H_8O_2$; and in the second place, it would thereby be asserted that butyric acid also consists of $C_4H_8O_2$. Thus by equating propyl formate with butyric acid one would be expressing their chemical composition as opposed to their physical formation.

If we say that, as values, commodities are simply congealed quantities of human labour, our analysis reduces them, it is true, to the level of abstract value, but does not give them a form of value distinct from their natural forms. It is otherwise in the value relation of one commodity to another. The first commodity's

17. The few economists, such as S. Bailey, who have concerned themselves with the analysis of the form of value have been unable to arrive at any result, firstly because they confuse the form of value with value itself, and secondly because, under the coarse influence of the practical bourgeois, they give their attention from the outset, and exclusively, to the quantitative aspect of the question. 'The command of quantity ... constitutes value' (*Money and Its Vicissitudes*, London, 1837, p. 11). Written by S. Bailey.

value character emerges here through its own relation to the second commodity.

By equating, for example, the coat as a thing of value to the linen, we equate the labour embedded in the coat with the labour embedded in the linen. Now it is true that the tailoring which makes the coat is concrete labour of a different sort from the weaving which makes the linen. But the act of equating tailoring with weaving reduces the former in fact to what is really equal in the two kinds of labour, to the characteristic they have in common of being human labour. This is a roundabout way of saying that weaving too, in so far as it weaves value, has nothing to distinguish it from tailoring, and, consequently, is abstract human labour. It is only the expression of equivalence between different sorts of commodities which brings to view the specific character of value-creating labour, by actually reducing the different kinds of labour embedded in the different kinds of commodity to their common quality of being human labour in general.[18]

However, it is not enough to express the specific character of the labour which goes to make up the value of the linen. Human labour-power in its fluid state, or human labour, creates value, but is not itself value. It becomes value in its coagulated state, in objective form. The value of the linen as a congealed mass of human labour can be expressed only as an 'objectivity' [*Gegenständlichkeit*], a thing which is materially different from the linen itself and yet common to the linen and all other commodities. The problem is already solved.

When it is in the value-relation with the linen, the coat counts qualitatively as the equal of the linen, it counts as a thing of the same nature, because it is a value. Here it is therefore a thing in

18. One of the first economists, after William Petty,* to have seen through the nature of value, the famous Franklin, says this: 'Trade in general being nothing else but the exchange of labour for labour, the value of all things is . . . most justly measured by labour' (*The Works of B. Franklin etc.*, edited by Sparks, Boston, 1836, Vol. 2, p. 267). Franklin is not aware that in measuring the value of everything 'in labour' he makes abstraction from any difference in the kinds of labour exchanged – and thus reduces them all to equal human labour. Yet he states this without knowing it. He speaks first of 'the one labour', then of 'the other labour', and finally of 'labour', without further qualification, as the substance of the value of everything.

*Sir William Petty (1623–87), English economist and statistician, regarded by Marx as the founder of modern political economy (see below, p. 174, n. 34). 'Petty recognizes labour as the source of material wealth' but misapprehends the source of exchange-value (Karl Marx, op. cit., pp. 52–4).

which value is manifested, or which represents value in its tangible natural form. Yet the coat itself, the physical aspect of the coat-commodity, is purely a use-value. A coat as such no more expresses value than does the first piece of linen we come across. This proves only that, within its value-relation to the linen, the coat signifies more than it does outside it, just as some men count for more when inside a gold-braided uniform than they do otherwise.

In the production of the coat, human labour-power, in the shape of tailoring, has in actual fact been expended. Human labour has therefore been accumulated in the coat. From this point of view, the coat is a 'bearer of value', although this property never shows through, even when the coat is at its most threadbare. In its value-relation with the linen, the coat counts only under this aspect, counts therefore as embodied value, as the body of value [*Wertkörper*]. Despite its buttoned-up appearance, the linen recognizes in it a splendid kindred soul, the soul of value. Nevertheless, the coat cannot represent value towards the linen unless value, for the latter, simultaneously assumes the form of a coat. An individual, A, for instance, cannot be 'your majesty' to another individual, B, unless majesty in B's eyes assumes the physical shape of A, and, moreover, changes facial features, hair and many other things, with every new 'father of his people'.

Hence, in the value-relation, in which the coat is the equivalent of the linen, the form of the coat counts as the form of value. The value of the commodity linen is therefore expressed by the physical body of the commodity coat, the value of one by the use-value of the other. As a use-value, the linen is something palpably different from the coat; as value, it is identical with the coat, and therefore looks like the coat. Thus the linen acquires a value-form different from its natural form. Its existence as value is manifested in its equality with the coat, just as the sheep-like nature of the Christian is shown in his resemblance to the Lamb of God.

We see, then, that everything our analysis of the value of commodities previously told us is repeated by the linen itself, as soon as it enters into association with another commodity, the coat. Only it reveals its thoughts in a language with which it alone is familiar, the language of commodities. In order to tell us that labour creates its own value in its abstract quality of being human labour, it says that the coat, in so far as it counts as its equal, i.e. is value, consists of the same labour as it does itself. In order to inform us that its sublime objectivity as a value differs from its stiff and starchy existence as a body, it says that value has the appearance of a coat, and therefore that in so far as the linen itself is an object of value [*Wertding*], it and the coat are as like as two peas. Let us note, incidentally, that the language of commodities also has, apart from Hebrew, plenty of other more or less correct dialects. The German word '*Wertsein*' (to be worth), for instance, brings out less strikingly than the Romance verb '*valere*', '*valer*', '*valoir*' that the equating of commodity B with commodity A is the expression of value proper to commodity A. *Paris vaut bien une messe!**

By means of the value-relation, therefore, the natural form of commodity B becomes the value-form of commodity A, in other words the physical body of commodity B becomes a mirror for the value of commodity A.[19] Commodity A, then, in entering into a relation with commodity B as an object of value [*Wertkörper*], as a materialization of human labour, makes the use-value B into the material through which its own value is expressed. The value of commodity A, thus expressed in the use-value of commodity B, has the form of relative value.

(ii) *The quantitative determinacy of the relative form of value*

Every commodity whose-value is to be expressed is a useful object of a given quantity, for instance 15 bushels of corn, or 100 lb. of coffee. A given quantity of any commodity contains a definite quantity of human labour. Therefore the form of value must not only express value in general, but also quantitatively determined value, i.e. the magnitude of value. In the value-relation of commodity A to commodity B, of the linen to the coat, therefore, not only is the commodity-type coat equated with the linen in qualitative terms as an object of value as such, but also a definite quantity of the object of value or equivalent, 1 coat for example, is equated with a definite quantity of linen, such as 20 yards. The equation 20

19. In a certain sense, a man is in the same situation as a commodity. As he neither enters into the world in possession of a mirror, nor as a Fichtean philosopher who can say 'I am I', a man first sees and recognizes himself in another man. Peter only relates to himself as a man through his relation to another man, Paul, in whom he recognizes his likeness. With this, however, Paul also becomes from head to toe, in his physical form as Paul, the form of appearance of the species man for Peter.

* 'Paris is certainly worth a mass.' Henry IV's supposed words on his conversion to Roman Catholicism in 1593.

yards of linen = 1 coat, or 20 yards of linen are worth 1 coat, presupposes the presence in 1 coat of exactly as much of the substance of value as there is in 20 yards of linen, implies therefore that the quantities in which the two commodities are present have cost the same amount of labour or the same quantity of labour-time. But the labour-time necessary for the production of 20 yards of linen or 1 coat varies with every change in the productivity of the weaver or the tailor. The influence of such changes on the relative expression of the magnitude of value must now be investigated more closely.

I. Let the value of the linen change[20] while the value of the coat remains constant. If the labour-time necessary for the production of linen be doubled, as a result of the increasing infertility of flax-growing soil for instance, its value will also be doubled. Instead of the equation 20 yards of linen = 1 coat, we should have 20 yards of linen = 2 coats, since 1 coat would now contain only half as much labour-time as 20 yards of linen. If, on the other hand, the necessary labour-time be reduced by one half, as a result of improved looms for instance, the value of the linen will fall by one half. In accordance with this the equation will now read 20 yards of linen = ½ coat. The relative value of commodity A, i.e. its value expressed in commodity B, rises and falls in direct relation to the value of A, if the value of B remains constant.

II. Let the value of the linen remain constant, while the value of the coat changes. If, under these circumstances, the labour-time necessary for the production of a coat is doubled, as a result, for instance, of a poor crop of wool, we should have, instead of 20 yards of linen = 1 coat, 20 yards of linen = ½ coat. If, on the other hand, the value of the coat sinks by one half, then 20 yards of linen = 2 coats. Hence, if the value of commodity A remains constant, its relative value, as expressed in commodity B, rises and falls in inverse relation to the change in the value of B.

If we compare the different cases examined under headings I and II, it emerges that the same change in the magnitude of relative value may arise from entirely opposed causes. Thus the equation 20 yards of linen = 1 coat becomes 20 yards of linen = 2 coats, either because the value of the linen has doubled or because the value of the coat has fallen by one half, and it becomes 20

20. Here, as occasionally also on previous pages, we use the expression 'value' for quantitatively determined values, i.e. for the magnitude of value.

yards of linen = $\frac{1}{2}$ coat, either because the value of the linen has fallen by one half, or because the value of the coat has doubled.

III. Let the quantities of labour necessary for the production of the linen and the coat vary simultaneously in the same direction and the same proportion. In this case, 20 yards of linen = 1 coat, as before, whatever change may have taken place in their respective values. Their change of value is revealed only when they are compared with a third commodity, whose value has remained constant. If the values of all commodities rose or fell simultaneously, and in the same proportion, their relative values would remain unaltered. The change in their real values would be manifested by an increase or decrease in the quantity of commodities produced within the same labour-time.

IV. The labour-time necessary for the production respectively of the linen and the coat, and hence their values, may vary simultaneously in the same direction, but to an unequal degree, or in opposite directions, and so on. The influence of all possible combinations of this kind on the relative value of a commodity can be worked out simply by applying cases I, II and III.

Thus real changes in the magnitude of value are neither unequivocally nor exhaustively reflected in their relative expression, or, in other words, in the magnitude of the relative value. The relative value of a commodity may vary, although its value remains constant. Its relative value may remain constant, although its value varies; and finally, simultaneous variations in the magnitude of its value and in the relative expression of that magnitude do not by any means have to correspond at all points.[21]

21. The vulgar economists* have exploited this lack of congruence between the magnitude of value and its relative expression with their customary ingenuity. For example: 'Once admit that A falls, because B, with which it is exchanged, rises, while no less labour is bestowed in the meantime on A, and your general principle of value falls to the ground . . . If he [Ricardo] allowed that when A rises in value relatively to B, B falls in value relatively to A, he cut away the ground on which he rested his grand proposition, that the value of a commodity is ever determined by the labour embodied in it; for if a change in the cost of A alters not only its own value in relation to B, for which it is exchanged, but also the value of B relatively to that of A, though no change has taken place in the quantity of labour to produce B, then not only the doctrine falls to the ground which asserts that the quantity of labour bestowed on an article regulates its value, but also that which affirms the cost of an article to

* Marx explains his use of the term 'vulgar economists' in Section 4 of this chapter, pp. 174–5, n. 34.

(iii) *The equivalent form* We have seen that a commodity A (the linen), by expressing its value in the use-value of a commodity B of a different kind (the coat), impresses upon the latter a form of value peculiar to it, namely that of the equivalent. The commodity linen brings to view its own existence as a value through the fact that the coat can be equated with the linen although it has not assumed a form of value distinct from its own physical form. The coat is directly exchangeable with the linen; in this way the linen in fact expresses its own existence as a value [*Wertsein*]. The equivalent form of a commodity, accordingly, is the form in which it is directly exchangeable with other commodities.

If one kind of commodity, such as a coat, serves as the equivalent of another, such as linen, and coats therefore acquire the characteristic property of being in a form in which they can be directly exchanged with linen, this still by no means provides us with the proportion in which the two are exchangeable. Since the magnitude of the value of the linen is a given quantity, this proportion depends on the magnitude of the coat's value. Whether the coat is expressed as the equivalent and the linen as relative value, or, inversely, the linen is expressed as equivalent and the coat as relative value, the magnitude of the coat's value is determined, as ever, by the labour-time necessary for its production, independently of its value-form. 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.

For instance, 40 yards of linen are 'worth' – what? 2 coats. Because the commodity coat here plays the part of equivalent, because the use-value coat counts as the embodiment of value *vis-à-vis* the linen, a definite number of coats is sufficient to express a definite quantity of value in the linen. Two coats can therefore express the magnitude of value of 40 yards of linen, but they can

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regulate its value' (J. Broadhurst, *Political Economy*, London, 1842, pp. 11 and 14).

Mr Broadhurst might just as well say: consider the fractions 10/20, 10/50, 10/100 etc. The number 10 remains unchanged, and yet its proportional magnitude, its magnitude in relation to the numbers 20, 50, 100 continually diminishes. Therefore, the great principle that the magnitude of a whole number, such as 10, is 'regulated' by the number of times the number 1 is contained in it falls to the ground.

never express the magnitude of their own value. Because they had a superficial conception of this fact, i.e. because they considered that in the equation of value the equivalent always has the form of a simple quantity of some article, of a use-value, Bailey and many of his predecessors and followers were misled into seeing the expression of value as merely a quantitative relation;* whereas in fact the equivalent form of a commodity contains no quantitative determinant of value.

The first peculiarity which strikes us when we reflect on the equivalent form is this, that use-value becomes the form of appearance of its opposite, value.

The natural form of the commodity becomes its value-form. But, note well, this substitution only occurs in the case of a commodity B (coat, or maize, or iron, etc.) when some other commodity A (linen etc.) enters into a value-relation with it, and then only within the limits of this relation. Since a commodity cannot be related to itself as equivalent, and therefore cannot make its own physical shape into the expression of its own value, it must be related to another commodity as equivalent, and therefore must make the physical shape of another commodity into its own value-form.

Let us make this clear with the example of a measure which is applied to commodities as material objects, i.e. as use-values. A sugar-loaf, because it is a body, is heavy and therefore possesses weight; but we can neither take a look at this weight nor touch it. We then take various pieces of iron, whose weight has been determined beforehand. The bodily form of the iron, considered for itself, is no more the form of appearance of weight than is the sugar-loaf. Nevertheless, in order to express the sugar-loaf as a weight, we put it into a relation of weight with the iron. In this relation, the iron counts as a body representing nothing but weight. Quantities of iron therefore serve to measure the weight of the sugar, and represent, in relation to the sugar-loaf, weight in its pure form, the form of manifestation of weight. This part is played by the iron only within this relation, i.e. within the relation into which the sugar, or any other body whose weight is to be found, enters with the iron. If both objects lacked weight, they

*'The most superficial form of exchange-value, that is the *quantitative relation* in which commodities exchange with one another, *constitutes*, according to Bailey, their value' (Karl Marx, *Theories of Surplus-Value*, Part III, London, 1972, p. 129).

could not enter into this relation, hence the one could not serve to express the weight of the other. When we throw both of them into the scales, we see in reality that considered as weight they are the same, and therefore that, taken in the appropriate proportions, they have the same weight. Just as the body of the iron, as a measure of weight, represents weight alone, in relation to the sugar-loaf, so, in our expression of value, the body of the coat represents value alone.

Here, however, the analogy ceases. In the expression of the weight of the sugar-loaf, the iron represents a natural property common to both bodies, their weight; but in the expression of value of the linen the coat represents a supra-natural property: their value, which is something purely social.

The relative value-form of a commodity, the linen for example, expresses its value-existence as something wholly different from its substance and properties, as the quality of being comparable with a coat for example; this expression itself therefore indicates that it conceals a social relation. With the equivalent form the reverse is true. The equivalent form consists precisely in this, that the material commodity itself, the coat for instance, expresses value just as it is in its everyday life, and is therefore endowed with the form of value by nature itself. Admittedly, this holds good only within the value-relation, in which the commodity linen is related to the commodity coat as its equivalent.[22] However, the properties of a thing do not arise from its relations to other things, they are, on the contrary, merely activated by such relations. The coat, therefore, seems to be endowed with its equivalent form, its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm. Hence the mysteriousness of the equivalent form, which only impinges on the crude bourgeois vision of the political economist when it confronts him in its fully developed shape, that of money. He then seeks to explain away the mystical character of gold and silver by substituting for them less dazzling commodities, and, with ever-renewed satisfaction, reeling off a catalogue of all the

22. Determinations of reflection [*Reflexionsbestimmungen*] of this kind are altogether very curious. For instance, one man is king only because other men stand in the relation of subjects to him. They, on the other hand, imagine that they are subjects because he is king.*

*Cf. Hegel, *Science of Logic*, tr. A. V. Miller, London, 1969, pp. 409–11, where the determinations of reflection are stated to be 'not of a qualitative kind . . . but determinatenesses which are themselves relations'.

inferior commodities which have played the role of the equivalent at one time or another. He does not suspect that even the simplest expression of value, such as 20 yards of linen = 1 coat, already presents the riddle of the equivalent form for us to solve.

The body of the commodity, which serves as the equivalent, always figures as the embodiment of abstract human labour, and is always the product of some specific useful and concrete labour. This concrete labour therefore becomes the expression of abstract human labour. If the coat is merely abstract human labour's realization, the tailoring actually realized in it is merely abstract human labour's form of realization. In the expression of value of the linen, the usefulness of tailoring consists, not in making clothes, and thus also people, but in making a physical object which we at once recognize as value, as a congealed quantity of labour, therefore, which is absolutely indistinguishable from the labour objectified in the value of the linen. In order to act as such a mirror of value, tailoring itself must reflect nothing apart from its own abstract quality of being human labour.

Human labour-power is expended in the form of tailoring as well as in the form of weaving. Both therefore possess the general property of being human labour, and they therefore have to be considered in certain cases, such as the production of value, solely from this point of view. There is nothing mysterious in this. But in the value expression of the commodity the question is stood on its head. In order to express the fact that, for instance, weaving creates the value of linen through its general property of being human labour rather than in its concrete form as weaving, we contrast it with the concrete labour which produces the equivalent of the linen, namely tailoring. Tailoring is now seen as the tangible form of realization of abstract human labour.

The equivalent form therefore possesses a second peculiarity: in it, concrete labour becomes the form of manifestation of its opposite, abstract human labour.

But because this concrete labour, tailoring, counts exclusively as the expression of undifferentiated human labour, it possesses the characteristic of being identical with other kinds of labour, such as the labour embodied in the linen. Consequently, although, like all other commodity-producing labour, it is the labour of private individuals, it is nevertheless labour in its directly social form. It is precisely for this reason that it presents itself to us in the shape of a product which is directly exchangeable with other commodities.

Thus the equivalent form has a third peculiarity: private labour takes the form of its opposite, namely labour in its directly social form.

The two peculiarities of the equivalent form we have just developed will become still clearer if we go back to the great investigator who was the first to analyse the value-form, like so many other forms of thought, society and nature. I mean Aristotle.

In the first place, he states quite clearly that the money-form of the commodity is only a more developed aspect of the simple form of value, i.e. of the expression of the value of a commodity in some other commodity chosen at random, for he says:

5 beds = 1 house

(Κλῖναι πέντε ἀντὶ οἰκίας)

is indistinguishable from

5 beds = a certain amount of money

(Κλῖναι πέντε ἀντὶ . . . ὅσου αἱ πέντε κλῖναι)

He further sees that the value-relation which provides the framework for this expression of value itself requires that the house should be qualitatively equated with the bed, and that these things, being distinct to the senses, could not be compared with each other as commensurable magnitudes if they lacked this essential identity. 'There can be no exchange,' he says, 'without equality, and no equality without commensurability' ('οὔτ' ἰσοτης μὴ οὔσης συμμετρίας'). Here, however, he falters, and abandons the further analysis of the form of value. 'It is, however, in reality, impossible ("τῇ μὲν οὖν ἀληθείᾳ ἀδύνατον") that such unlike things can be commensurable,' i.e. qualitatively equal. This form of equation can only be something foreign to the true nature of the things, it is therefore only 'a makeshift for practical purposes'.*

Aristotle therefore himself tells us what prevented any further analysis: the lack of a concept of value. What is the homogeneous element, i.e. the common substance, which the house represents from the point of view of the bed, in the value expression for the bed? Such a thing, in truth, cannot exist, says Aristotle. But why not? Towards the bed, the house represents something equal, in so far as it represents what is really equal, both in the bed and the house. And that is – human labour.

However, Aristotle himself was unable to extract this fact, that,

*The quotations in this paragraph are from Aristotle, *Nicomachean Ethics*, Bk V, Ch. 5 (Loeb edition, London, 1926, pp. 287–9).

in the form of commodity-values, all labour is expressed as equal human labour and therefore as labour of equal quality, by inspection from the form of value, because Greek society was founded on the labour of slaves, hence had as its natural basis the inequality of men and of their labour-powers. The secret of the expression of value, namely the equality and equivalence of all kinds of labour because and in so far as they are human labour in general, could not be deciphered until the concept of human equality had already acquired the permanence of a fixed popular opinion. This however becomes possible only in a society where the commodity-form is the universal form of the product of labour, hence the dominant social relation is the relation between men as possessors of commodities. Aristotle's genius is displayed precisely by his discovery of a relation of equality in the value-expression of commodities. Only the historical limitation inherent in the society in which he lived prevented him from finding out what 'in reality' this relation of equality consisted of.

(iv) *The simple form of value considered as a whole* A commodity's simple form of value is contained in its value-relation with another commodity of a different kind, i.e. in its exchange relation with the latter. The value of commodity A is qualitatively expressed by the direct exchangeability of commodity B with commodity A. It is quantitatively expressed by the exchangeability of a specific quantity of commodity B with a given quantity of A. In other words, the value of a commodity is independently expressed through its presentation [*Darstellung*] as 'exchange-value'. When, at the beginning of this chapter, we said in the customary manner that a commodity is both a use-value and an exchange-value, this was, strictly speaking, wrong. A commodity is a use-value or object of utility, and a 'value'. It appears as the twofold thing it really is as soon as its value possesses its own particular form of manifestation, which is distinct from its natural form. This form of manifestation is exchange-value, and the commodity never has this form when looked at in isolation, but only when it is in a value-relation or an exchange relation with a second commodity of a different kind. Once we know this, our manner of speaking does no harm; it serves, rather, as an abbreviation.

Our analysis has shown that the form of value, that is, the expression of the value of a commodity, arises from the nature of commodity-value, as opposed to value and its magnitude arising from their mode of expression as exchange-value. This second view is the delusion both of the Mercantilists (and people like Ferrier, Ganilh, etc.,[23] who have made a modern rehash of Mercantilism) and their antipodes, the modern bagmen of free trade, such as Bastiat and his associates. The Mercantilists place their main emphasis on the qualitative side of the expression of value, hence on the equivalent form of the commodity, which in its finished form is money. The modern pedlars of free trade, on the other hand, who must get rid of their commodities at any price, stress the quantitative side of the relative form of value. For them, accordingly, there exists neither value, nor magnitude of value, anywhere except in its expression by means of the exchange relation, that is, in the daily list of prices current on the Stock Exchange. The Scotsman Macleod,* whose function it is to trick out the confused ideas of Lombard Street in the most learned finery, is a successful cross between the superstitious Mercantilists and the enlightened pedlars of free trade.

A close scrutiny of the expression of the value of commodity A contained in the value-relation of A to B has shown that within that relation the natural form of commodity A figures only as the aspect of use-value, while the natural form of B figures only as the form of value, or aspect of value. The internal opposition between use-value and value, hidden within the commodity, is therefore represented on the surface by an external opposition, i.e. by a relation between two commodities such that the one commodity, *whose own* value is supposed to be expressed, counts directly only as a use-value, whereas the other commodity, *in which* that value is to be expressed, counts directly only as exchange-value. Hence the simple form of value of a commodity is the simple form of appearance of the opposition between use-value and value which is contained within the commodity.

The product of labour is an object of utility in all states of society; but it is only a historically specific epoch of development which presents the labour expended in the production of a useful

23. F. L. A. Ferrier (*sous-inspecteur des douanes*), *Du gouvernement considéré dans ses rapports avec le commerce*, Paris, 1805; and Charles Ganilh, *Des systèmes d'économie politique*, 2nd edn, Paris, 1821.

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*H. D. Macleod (1821–1902), opponent of the classical economists, who, Marx says, 'misinterprets the most elementary economic relations to such an extent that he asserts that money in general arises from its most advanced form, that is means of payment' (Karl Marx, *A Contribution to the Critique of Political Economy*, p. 143).

article as an 'objective' property of that article, i.e. as its value. It is only then that the product of labour becomes transformed into a commodity. It therefore follows that the simple form of value of the commodity is at the same time the simple form of value of the product of labour, and also that the development of the commodity-form coincides with the development of the value-form.

We perceive straight away the insufficiency of the simple form of value: it is an embryonic form which must undergo a series of metamorphoses before it can ripen into the price-form.

The expression of the value of commodity A in terms of any other commodity B merely distinguishes the value of A from its use-value, and therefore merely places A in an exchange-relation with any particular single different kind of commodity, instead of representing A's qualitative equality with all other commodities and its quantitative proportionality to them. To the simple relative form of value of a commodity there corresponds the single equivalent form of another commodity. Thus, in the relative expression of value of the linen, the coat only possesses the form of equivalent, the form of direct exchangeability, in relation to this one individual commodity, the linen.

Nevertheless, the simple form of value automatically passes over into a more complete form. Admittedly, this simple form only expresses the value of a commodity A in one commodity of another kind. But what this second commodity is, whether it is a coat, iron, corn, etc., is a matter of complete indifference. Therefore different simple expressions of the value of one and the same commodity arise according to whether that commodity enters into a value-relation with this second commodity or another kind of commodity.[24] The number of such possible expressions is limited only by the number of the different kinds of commodities distinct from it. The isolated expression of A's value is thus transformed into the indefinitely expandable series of different simple expressions of that value.

(b) The Total or Expanded Form of Value

z commodity A $=$ u commodity B or $=$ v commodity C or $=$ w commodity D or $=$ x commodity E or $=$ etc.

24. In Homer, for instance (*Iliad*, VII, 472–5), the value of a thing is expressed in a series of different things.

(20 yards of linen = 1 coat or = 10 lb. tea or = 40 lb. coffee or = 1 quarter of corn or = 2 ounces of gold or = ½ ton of iron or = etc.)

(1) *The expanded relative form of value*

The value of a commodity, the linen for example, is now expressed in terms of innumerable other members of the world of commodities. Every other physical commodity now becomes a mirror of the linen's value.[25] It is thus that this value first shows itself as being, in reality, a congealed quantity of undifferentiated human labour. For the labour which creates it is now explicitly presented as labour which counts as the equal of every other sort of human labour, whatever natural form it may possess, hence whether it is objectified in a coat, in corn, in iron, or in gold. The linen, by virtue of the form of value, no longer stands in a social relation with merely one other kind of commodity, but with the whole world of commodities as well. As a commodity it is a citizen of that world. At the same time, the endless series of expressions of its value implies that, from the point of view of the value of the commodity, the particular form of use-value in which it appears is a matter of indifference.

In the first form, 20 yards of linen = 1 coat, it might well be a purely accidental occurrence that these two commodities are ex-

25. For this reason we can speak of the coat-value of the linen when its value is expressed in coats, or of its corn-value when expressed in corn, and so on. Every such expression tells us that it is the value of the linen which appears in the use-values coat, corn etc. 'The value of any commodity denoting its relation in exchange, we may speak of it as . . . corn-value, cloth-value, according to the commodity with which it is compared; and hence there are a thousand different kinds of value, as many kinds of value as there are commodities in existence, and all are equally real and equally nominal' (*A Critical Dissertation on the Nature, Measure, and Causes of Value: Chiefly in Reference to the Writings of Mr Ricardo and His Followers. By the Author of Essays on the Formation, etc., of Opinions,* London, 1825, p. 39). S. Bailey, the author of this anonymous work, which in its day created a considerable stir in England, was under the delusion that by pointing to the multiplicity of the relative expressions of the same commodity-value he had obliterated any possibility of a conceptual determination of value. Still, despite the narrowness of his own outlook he was able to put his finger on some serious defects in the Ricardian theory, as is demonstrated by the animosity with which he was attacked by Ricardo's followers, in the *Westminster Review* for example.*

*The *Westminster Review* was founded in 1824 by Bentham and Bowring, as a quarterly journal of orthodox Radicalism. It was Ricardian in economic theory.

changeable in a specific quantitative relation. In the second form, on the contrary, the background to this accidental appearance, essentially different from it, and determining it, immediately shines through. The value of the linen remains unaltered in magnitude, whether expressed in coats, coffee, or iron, or in innumerable different commodities, belonging to as many different owners. The accidental relation between two individual commodity-owners disappears. It becomes plain that it is not the exchange of commodities which regulates the magnitude of their values, but rather the reverse, the magnitude of the value of commodities which regulates the proportion in which they exchange.

(2) *The particular equivalent form*

Each commodity, such as coat, tea, iron, etc., figures in the expression of value of the linen as an equivalent, hence as a physical object possessing value. The specific natural form of each of these commodities is now a particular equivalent form alongside many others. In the same way, the many specific, concrete, and useful kinds of labour contained in the physical commodities now count as the same number of particular forms of realization or manifestation of human labour in general.

(3) *Defects of the total or expanded form of value*

Firstly, the relative expression of value of the commodity is incomplete, because the series of its representations never comes to an end. The chain, of which each equation of value is a link, is liable at any moment to be lengthened by a newly created commodity, which will provide the material for a fresh expression of value. Secondly, it is a motley mosaic of disparate and unconnected expressions of value. And lastly, if, as must be the case, the relative value of each commodity is expressed in this expanded form, it follows that the relative form of value of each commodity is an endless series of expressions of value which are all different from the relative form of value of every other commodity. The defects of the expanded relative form of value are reflected in the corresponding equivalent form. Since the natural form of each particular kind of commodity is one particular equivalent form amongst innumerable other equivalent forms, the only equivalent forms which exist are limited ones, and each of them excludes all the others. Similarly, the specific, concrete, useful kind of labour contained in each particular commodity-equivalent is only a particular kind of labour and therefore not an exhaustive form of appearance of human labour in general. It is true that the completed or total form of appearance of human labour is constituted by the totality of its particular forms of appearance. But in that case it has no single, unified form of appearance.

The expanded relative form of value is, however, nothing but the sum of the simple relative expressions or equations of the first form, such as:

20 yards of linen = 1 coat
20 yards of linen = 10 lb. of tea, etc.

However, each of these equations implies the identical equation in reverse:

1 coat = 20 yards of linen
10 lb. of tea = 20 yards of linen, etc.

In fact, when a person exchanges his linen for many other commodities, and thus expresses its value in a series of other commodities, it necessarily follows that the other owners of commodities exchange them for the linen, and therefore express the values of their various commodities in one and the same third commodity, the linen. If, then, we reverse the series 20 yards of linen = 1 coat, or = 10 lb. of tea, etc., i.e. if we give expression to the converse relation already implied in the series, we get:

(c) The General Form of Value

$$\left.\begin{array}{l}\text{1 coat}\\ \text{10 lb. of tea}\\ \text{40 lb. of coffee}\\ \text{1 quarter of corn}\\ \text{2 ounces of gold}\\ \tfrac{1}{2}\text{ ton of iron}\\ x\text{ commodity A etc.}\end{array}\right\} = \text{20 yards of linen}$$

(1) *The changed character of the form of value*

The commodities now present their values to us, (1) in a simple form, because in a single commodity; (2) in a unified form, because in the same commodity each time. Their form of value is simple and common to all, hence general.

The two previous forms (let us call them A and B) only amounted to the expression of the value of a commodity as something distinct from its own use-value or its physical shape as a commodity.

The first form, A, produced equations like this: 1 coat = 20 yards of linen, 10 lb. of tea = ½ ton of iron. The value of the coat is expressed as comparable with linen,* that of the tea as comparable with iron. But to be comparable with linen and with iron, these expressions of the value of coat and tea, is to be as different as linen is from iron. This form, it is plain, appears in practice only in the early stages, when the products of labour are converted into commodities by accidental occasional exchanges.

The second form, B, distinguishes the value of a commodity from its own use-value more adequately than the first, for the value of the coat now stands in contrast with its natural form in all possible shapes, in the sense that it is equated with linen, iron, tea, in short with everything but itself. On the other hand any expression of value common to all commodities is directly excluded; for, in the expression of value of each commodity, all other commodities now appear only in the form of equivalents. The expanded form of value comes into actual existence for the first time when a particular product of labour, such as cattle, is no longer exceptionally, but habitually, exchanged for various other commodities.

The new form we have just obtained expresses the values of the world of commodities through one single kind of commodity set apart from the rest, through the linen for example, and thus represents the values of all commodities by means of their equality with linen. Through its equation with linen, the value of every commodity is now not only differentiated from its own use-value, but from all use-values, and is, by that very fact, expressed as that which is common to all commodities. By this form, commodities are, for the first time, really brought into relation with each other as values, or permitted to appear to each other as exchange-values.

The two earlier forms express the value of each commodity either in terms of a single commodity of a different kind, or in a series of many commodities which differ from the first one. In both cases it is the private task, so to speak, of the individual

*'Comparable with linen' is the expression we have chosen to render *Leinwandgleiches*, 'comparable with iron' renders *Eisengleiches*, and so on. These circumlocutions are unavoidable here.

commodity to give itself a form of value, and it accomplishes this task without the aid of the others, which play towards it the merely passive role of equivalent. The general form of value, on the other hand, can only arise as the joint contribution of the whole world of commodities. A commodity only acquires a general expression of its value if, at the same time, all other commodities express their values in the same equivalent; and every newly emergent commodity must follow suit. It thus becomes evident that because the objectivity of commodities as values is the purely 'social existence' of these things, it can only be expressed through the whole range of their social relations; consequently the form of their value must possess social validity.

In this form, when they are all counted as comparable with the linen, all commodities appear not only as qualitatively equal, as values in general, but also as values of quantitatively comparable magnitude. Because the magnitudes of their values are expressed in one and the same material, the linen, these magnitudes are now reflected in each other. For instance, 10 lb. of tea = 20 yards of linen, and 40 lb. of coffee = 20 yards of linen. Therefore 10 lb. of tea = 40 lb. of coffee. In other words, 1 lb. of coffee contains only a quarter as much of the substance of value, that is, labour, as 1 lb. of tea.

The general relative form of value imposes the character of universal equivalent on the linen, which is the commodity excluded, as equivalent, from the whole world of commodities. Its own natural form is the form assumed in common by the values of all commodities; it is therefore directly exchangeable with all other commodities. The physical form of the linen counts as the visible incarnation, the social chrysalis state, of all human labour. Weaving, the private labour which produces linen, acquires as a result a general social form, the form of equality with all other kinds of labour. The innumerable equations of which the general form of value is composed equate the labour realized in the linen with the labour contained in every other commodity in turn, and they thus convert weaving into the general form of appearance of undifferentiated human labour. In this manner the labour objectified in the values of commodities is not just presented negatively, as labour in which abstraction is made from all the concrete forms and useful properties of actual work. Its own positive nature is explicitly brought out, namely the fact that it is the reduction of all kinds of actual labour to their common character of being human labour in general, of being the expenditure of human labour-power.

The general value-form, in which all the products of labour are presented as mere congealed quantities of undifferentiated human labour, shows by its very structure that it is the social expression of the world of commodities. In this way it is made plain that within this world the general human character of labour forms its specific social character.

(2) *The development of the relative and equivalent forms of value: their interdependence*

The degree of development of the relative form of value, and that of the equivalent form, correspond. But we must bear in mind that the development of the equivalent form is only the expression and the result of the development of the relative form.

The simple or isolated relative form of value of one commodity converts some other commodity into an isolated equivalent. The expanded form of relative value, that expression of the value of one commodity in terms of all other commodities, imprints those other commodities with the form of particular equivalents of different kinds. Finally, a particular kind of commodity acquires the form of universal equivalent, because all other commodities make it the material embodiment of their uniform and universal form of value.

But the antagonism between the relative form of value and the equivalent form, the two poles of the value-form, also develops concomitantly with the development of the value-form itself.

The first form, 20 yards of linen = 1 coat, already contains this antagonism, without as yet fixing it. According to whether we read the same equation forwards or backwards, each of the two commodity poles, such as the linen and the coat, is to be found in the relative form on one occasion, and in the equivalent form on the other occasion. Here it is still difficult to keep hold of the polar antagonism.

In form B, only one commodity at a time can completely expand its relative value, and it only possesses this expanded relative form of value because, and in so far as, all other commodities are, with respect to it, equivalents. Here we can no longer reverse the equation 20 yards of linen = 1 coat without altering its whole character, and converting it from the expanded form into the general form of value.

Finally, the last form, C, gives to the world of commodities a general social relative form of value, because, and in so far as, all commodities except one are thereby excluded from the equivalent form. A single commodity, the linen, therefore has the form of direct exchangeability with all other commodities, in other words it has a directly social form because, and in so far as, no other commodity is in this situation.[26]

The commodity that figures as universal equivalent is on the other hand excluded from the uniform and therefore universal relative form of value. If the linen, or any other commodity serving as universal equivalent, were, at the same time, to share in the relative form of value, it would have to serve as its own equivalent. We should then have: 20 yards of linen = 20 yards of linen, a tautology in which neither the value nor its magnitude is expressed. In order to express the relative value of the universal equivalent, we must rather reverse the form C. This equivalent has no relative form of value in common with other commodities; its value is, rather, expressed relatively in the infinite series of all other physical commodities. Thus the expanded relative form of value, or form B, now appears as the specific relative form of value of the equivalent commodity.

26. It is by no means self-evident that the form of direct and universal ex changeability is an antagonistic form, as inseparable from its opposite, the form of non-direct exchangeability, as the positivity of one pole of a magnet is from the negativity of the other pole. This has allowed the illusion to arise that all commodities can simultaneously be imprinted with the stamp of direct exchangeability, in the same way that it might be imagined that all Catholics can be popes. It is, of course, highly desirable in the eyes of the petty bourgeois, who views the production of commodities as the absolute summit of human freedom and individual independence, that the inconveniences resulting from the impossibility of exchanging commodities directly, which are inherent in this form, should be removed. This philistine utopia is depicted in the socialism of Proudhon, which, as I have shown elsewhere,* does not even possess the merit of originality, but was in fact developed far more successfully long before Proudhon by Gray, Bray and others. Even so, wisdom of this kind is still rife in certain circles under the name of 'science'. No school of thought has thrown around the word 'science' more haphazardly than that of Proudhon, for '*wo Begriffe fehlen, da stellt zur rechten Zeit ein Wort sich ein*'.†

*In Chapter 1 of Marx's 1847 polemic against Proudhon, *The Poverty of Philosophy*.

†'Where thoughts are absent, words are brought in as convenient replacements.' A slightly altered quotation from Goethe, *Faust*, Part I, Scene 4, Faust's Study, lines 1995–6.

(3) *The transition from the general form of value to the money form*

The universal equivalent form is a form of value in general. It can therefore be assumed by any commodity. On the other hand, a commodity is only to be found in the universal equivalent form (form C) if, and in so far as, it is excluded from the ranks of all other commodities, as being their equivalent. Only when this exclusion becomes finally restricted to a specific kind of commodity does the uniform relative form of value of the world of commodities attain objective fixedness and general social validity.

The specific kind of commodity with whose natural form the equivalent form is socially interwoven now becomes the money commodity, or serves as money. It becomes its specific social function, and consequently its social monopoly, to play the part of universal equivalent within the world of commodities. Among the commodities which in form B figure as particular equivalents of the linen, and in form C express in common their relative values in linen, there is one in particular which has historically conquered this advantageous position: gold. If, then, in form C, we replace the linen by gold, we get:

(d) The Money Form

$$\left.\begin{array}{l}\text{20 yards of linen}\\ \text{1 coat}\\ \text{10 lb. of tea}\\ \text{40 lb. of coffee}\\ \text{1 quarter of corn}\\ \tfrac{1}{2}\text{ ton of iron}\\ x\text{ commodity A}\end{array}\right\} = \text{2 ounces of gold}$$

Fundamental changes have taken place in the course of the transition from form A to form B, and from form B to form C. As against this, form D differs not at all from form C, except that now instead of linen gold has assumed the universal equivalent form. Gold is in form D what linen was in form C: the universal equivalent. The advance consists only in that the form of direct and universal exchangeability, in other words the universal equivalent form, has now by social custom finally become entwined with the specific natural form of the commodity gold.

Gold confronts the other commodities as money only because it previously confronted them as a commodity. Like all other commodities it also functioned as an equivalent, either as a single equivalent in isolated exchanges or as a particular equivalent alongside other commodity-equivalents. Gradually it began to serve as universal equivalent in narrower or wider fields. As soon as it had won a monopoly of this position in the expression of value for the world of commodities, it became the money commodity, and only then, when it had already become the money commodity, did form D become distinct from form C, and the general form of value come to be transformed into the money form.

The simple expression of the relative value of a single commodity, such as linen, in a commodity which is already functioning as the money commodity, such as gold, is the price form. The 'price form' of the linen is therefore: 20 yards of linen = 2 ounces of gold, or, if 2 ounces of gold when coined are £2, 20 yards of linen = £2.

The only difficulty in the concept of the money form is that of grasping the universal equivalent form, and hence the general form of value as such, form C. Form C can be reduced by working backwards to form B, the expanded form of value, and its constitutive element is form A: 20 yards of linen = 1 coat or x commodity A = y commodity B. The simple commodity form is therefore the germ of the money-form.

4. THE FETISHISM OF THE COMMODITY AND ITS SECRET

A commodity appears at first sight an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties. So far as it is a use-value, there is nothing mysterious about it, whether we consider it from the point of view that by its properties it satisfies human needs, or that it first takes on these properties as the product of human labour. It is absolutely clear that, by his activity, man changes the forms of the materials of nature in such a way as to make them useful to him. The form of wood, for instance, is altered if a table is made out of it. Nevertheless the table continues to be wood, an ordinary, sensuous thing. But as soon as it emerges as a commodity, it changes into a thing which transcends sensuousness. It not only stands with its feet on the ground, but, in relation to all other commodities, it stands on its head, and evolves out of its wooden brain grotesque ideas, far more wonderful than if it were to begin dancing of its own free will.[27]

The mystical character of the commodity does not therefore arise from its use-value. Just as little does it proceed from the nature of the determinants of value. For in the first place, however varied the useful kinds of labour, or productive activities, it is a physiological fact that they are functions of the human organism, and that each such function, whatever may be its nature or its form, is essentially the expenditure of human brain, nerves, muscles and sense organs. Secondly, with regard to the foundation of the quantitative determination of value, namely the duration of that expenditure or the quantity of labour, this is quite palpably different from its quality. In all situations, the labour-time it costs to produce the means of subsistence must necessarily concern mankind, although not to the same degree at different stages of development.[28] And finally, as soon as men start to work for each other in any way, their labour also assumes a social form.

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

The mysterious character of the commodity-form consists therefore simply in the fact that the commodity reflects the social characteristics of men's own labour as objective characteristics of

27. One may recall that China and the tables began to dance when the rest of the world appeared to be standing still – *pour encourager les autres.**

28. Among the ancient Germans the size of a piece of land was measured according to the labour of a day; hence the acre was called *Tagwerk*, *Tagwanne* (*jurnale*, or *terra jurnalis*, or *diornalis*), *Mannwerk*, *Mannskraft*, *Mannsmaad*, *Mannshauet*, etc. See Georg Ludwig von Maurer, *Einleitung zur Geschichte der Mark-, Hof-, usw. Verfassung*, Munich, 1854, p. 129 ff.

* 'To encourage the others'. A reference to the simultaneous emergence in the 1850s of the Taiping revolt in China and the craze for spiritualism which swept over upper-class German society. The rest of the world was 'standing still' in the period of reaction immediately after the defeat of the 1848 Revolutions.

the products of labour themselves, as the socio-natural properties of these things. Hence it also reflects the social relation of the producers to the sum total of labour as a social relation between objects, a relation which exists apart from and outside the producers. Through this substitution, the products of labour become commodities, sensuous things which are at the same time supra-sensible or social. In the same way, the impression made by a thing on the optic nerve is perceived not as a subjective excitation of that nerve but as the objective form of a thing outside the eye. In the act of seeing, of course, light is really transmitted from one thing, the external object, to another thing, the eye. It is a physical relation between physical things. As against this, the commodity-form, and the value-relation of the products of labour within which it appears, have absolutely no connection with the physical nature of the commodity and the material [*dinglich*] relations arising out of this. It is nothing but the definite social relation between men themselves which assumes here, for them, the fantastic form of a relation between things. In order, therefore, to find an analogy we must take flight into the misty realm of religion. There the products of the human brain appear as autonomous figures endowed with a life of their own, which enter into relations both with each other and with the human race. So it is in the world of commodities with the products of men's hands. I call this the fetishism which attaches itself to the products of labour as soon as they are produced as commodities, and is therefore inseparable from the production of commodities.

As the foregoing analysis has already demonstrated, this fetishism of the world of commodities arises from the peculiar social character of the labour which produces them.

Objects of utility become commodities only because they are the products of the labour of private individuals who work independently of each other. The sum total of the labour of all these private individuals forms the aggregate labour of society. Since the producers do not come into social contact until they exchange the products of their labour, the specific social characteristics of their private labours appear only within this exchange. In other words, the labour of the private individual manifests itself as an element of the total labour of society only through the relations which the act of exchange establishes between the products, and, through their mediation, between the producers. To the producers, therefore, the social relations between their private labours appear as what they are, i.e. they do not appear as direct social relations between persons in their work, but rather as material [*dinglich*] relations between persons and social relations between things.

It is only by being exchanged that the products of labour acquire a socially uniform objectivity as values, which is distinct from their sensuously varied objectivity as articles of utility. This division of the product of labour into a useful thing and a thing possessing value appears in practice only when exchange has already acquired a sufficient extension and importance to allow useful things to be produced for the purpose of being exchanged, so that their character as values has already to be taken into consideration during production. From this moment on, the labour of the individual producer acquires a twofold social character. On the one hand, it must, as a definite useful kind of labour, satisfy a definite social need, and thus maintain its position as an element of the total labour, as a branch of the social division of labour, which originally sprang up spontaneously. On the other hand, it can satisfy the manifold needs of the individual producer himself only in so far as every particular kind of useful private labour can be exchanged with, i.e. counts as the equal of, every other kind of useful private labour. Equality in the full sense between different kinds of labour can be arrived at only if we abstract from their real inequality, if we reduce them to the characteristic they have in common, that of being the expenditure of human labour-power, of human labour in the abstract. The private producer's brain reflects this twofold social character of his labour only in the forms which appear in practical intercourse, in the exchange of products. Hence the socially useful character of his private labour is reflected in the form that the product of labour has to be useful to others, and the social character of the equality of the various kinds of labour is reflected in the form of the common character, as values, possessed by these materially different things, the products of labour.

Men do not therefore bring the products of their labour into relation with each other as values because they see these objects merely as the material integuments of homogeneous human labour. The reverse is true: by equating their different products to each other in exchange as values, they equate their different kinds of labour as human labour. They do this without being aware of it.[29] Value, therefore, does not have its description branded on its forehead; it rather transforms every product of labour into a social hieroglyphic. Later on, men try to decipher the hieroglyphic, to get behind the secret of their own social product: for the characteristic which objects of utility have of being values is as much men's social product as is their language. The belated scientific discovery that the products of labour, in so far as they are values, are merely the material expressions of the human labour expended to produce them, marks an epoch in the history of mankind's development, but by no means banishes the semblance of objectivity possessed by the social characteristics of labour. Something which is only valid for this particular form of production, the production of commodities, namely the fact that the specific social character of private labours carried on independently of each other consists in their equality as human labour, and, in the product, assumes the form of the existence of value, appears to those caught up in the relations of commodity production (and this is true both before and after the above-mentioned scientific discovery) to be just as ultimately valid as the fact that the scientific dissection of the air into its component parts left the atmosphere itself unaltered in its physical configuration.

What initially concerns producers in practice when they make an exchange is how much of some other product they get for their own; in what proportions can the products be exchanged? As soon as these proportions have attained a certain customary stability, they appear to result from the nature of the products, so that, for instance, one ton of iron and two ounces of gold appear to be equal in value, in the same way as a pound of gold and a pound of iron are equal in weight, despite their different physical and chemical properties. The value character of the products of labour becomes firmly established only when they act as magnitudes of value. These magnitudes vary continually, independently of the will, foreknowledge and actions of the exchangers. Their own movement within society has for them the form of a movement made by things, and these things, far from being under

29. Therefore, when Galiani said: Value is a relation between persons ('*La Ricchezza è una ragione tra due persone*') he ought to have added: a relation concealed beneath a material shell. (Galiani, *Della Moneta*, p. 221, Vol. 3 of Custodi's collection entitled *Scrittori classici italiani di economia politica, Parte moderna*, Milan, 1803.)

their control, in fact control them. The production of commodities must be fully developed before the scientific conviction emerges, from experience itself, that all the different kinds of private labour (which are carried on independently of each other, and yet, as spontaneously developed branches of the social division of labour, are in a situation of all-round dependence on each other) are continually being reduced to the quantitative proportions in which society requires them. The reason for this reduction is that in the midst of the accidental and ever-fluctuating exchange relations between the products, the labour-time socially necessary to produce them asserts itself as a regulative law of nature. In the same way, the law of gravity asserts itself when a person's house collapses on top of him.[30] The determination of the magnitude of value by labour-time is therefore a secret hidden under the apparent movements in the relative values of commodities. Its discovery destroys the semblance of the merely accidental determination of the magnitude of the value of the products of labour, but by no means abolishes that determination's material form.

Reflection on the forms of human life, hence also scientific analysis of those forms, takes a course directly opposite to their real development. Reflection begins *post festum*,* and therefore with the results of the process of development ready to hand. The forms which stamp products as commodities and which are therefore the preliminary requirements for the circulation of commodities, already possess the fixed quality of natural forms of social life before man seeks to give an account, not of their historical character, for in his eyes they are immutable, but of their content and meaning. Consequently, it was solely the analysis of the prices of commodities which led to the determination of the magnitude of value, and solely the common expression of all commodities in money which led to the establishment of their character as values. It is however precisely this finished form of the world of commodities – the money form – which conceals the social character of private labour and the social relations between the individual

30. 'What are we to think of a law which can only assert itself through periodic crises? It is just a natural law which depends on the lack of awareness of the people who undergo it' (Friedrich Engels, *Umrisse zu einer Kritik der Nationalökonomie*, in the *Deutsch-Französische Jahrbücher*, edited by Arnold Ruge and Karl Marx, Paris, 1844) [English translation in Marx/Engels' *Collected Works*, Vol. 3, London, 1975, p. 433].

* 'After the feast', i.e. after the events reflected on have taken place.

workers, by making those relations appear as relations between material objects, instead of revealing them plainly. If I state that coats or boots stand in a relation to linen because the latter is the universal incarnation of abstract human labour, the absurdity of the statement is self-evident. Nevertheless, when the producers of coats and boots bring these commodities into a relation with linen, or with gold or silver (and this makes no difference here), as the universal equivalent, the relation between their own private labour and the collective labour of society appears to them in exactly this absurd form.

The categories of bourgeois economics consist precisely of forms of this kind. They are forms of thought which are socially valid, and therefore objective, for the relations of production belonging to this historically determined mode of social production, i.e. commodity production. The whole mystery of commodities, all the magic and necromancy that surrounds the products of labour on the basis of commodity production, vanishes therefore as soon as we come to other forms of production.

As political economists are fond of Robinson Crusoe stories,[31] let us first look at Robinson on his island. Undemanding though he is by nature, he still has needs to satisfy, and must therefore perform useful labours of various kinds: he must make tools, knock together furniture, tame llamas, fish, hunt and so on. Of his prayers and the like, we take no account here, since our friend takes pleasure in them and sees them as recreation. Despite the diversity of his productive functions, he knows that they are only different forms of activity of one and the same Robinson, hence only different modes of human labour. Necessity itself compels him to divide his time with precision between his different func-

31. Even Ricardo has his Robinson Crusoe stories. 'Ricardo makes his primitive fisherman and primitive hunter into owners of commodities who immediately exchange their fish and game in proportion to the labour-time which is materialized in these exchange-values. On this occasion he slips into the anachronism of allowing the primitive fisherman and hunter to calculate the value of their implements in accordance with the annuity tables used on the London Stock Exchange in 1817. Apart from bourgeois society, the "parallelograms of Mr Owen" seem to have been the only form of society Ricardo was acquainted with' *(Karl Marx, *Zur Kritik etc.*, pp. 38–9) [English translation, p. 60].

*The 'parallelograms' were the utopian socialist Robert Owen's suggestion for the most appropriate layout for a workers' settlement, made in *A New View of Society* (1813) and immediately seized on by his critics. Ricardo's reference to them is from his *On Protection of Agriculture*, London, 1822, p. 21.

tions. Whether one function occupies a greater space in his total activity than another depends on the magnitude of the difficulties to be overcome in attaining the useful effect aimed at. Our friend Robinson Crusoe learns this by experience, and having saved a watch, ledger, ink and pen from the shipwreck, he soon begins, like a good Englishman, to keep a set of books. His stock-book contains a catalogue of the useful objects he possesses, of the various operations necessary for their production, and finally of the labour-time that specific quantities of these products have on average cost him. All the relations between Robinson and these objects that form his self-created wealth are here so simple and transparent that even Mr Sedley Taylor* could understand them. And yet those relations contain all the essential determinants of value.

Let us now transport ourselves from Robinson's island, bathed in light, to medieval Europe, shrouded in darkness. Here, instead of the independent man, we find everyone dependent – serfs and lords, vassals and suzerains, laymen and clerics. Personal dependence characterizes the social relations of material production as much as it does the other spheres of life based on that production. But precisely because relations of personal dependence form the given social foundation, there is no need for labour and its products to assume a fantastic form different from their reality. They take the shape, in the transactions of society, of services in kind and payments in kind. The natural form of labour, its particularity – and not, as in a society based on commodity production, its universality – is here its immediate social form. The *corvée* can be measured by time just as well as the labour which produces commodities, but every serf knows that what he expends in the service of his lord is a specific quantity of his own personal labour-power. The tithe owed to the priest is more clearly apparent than his blessing. Whatever we may think, then, of the different roles in which men confront each other in such a society, the social relations between individuals in the performance of their labour appear at all events as their own personal relations, and are not disguised as social relations between things, between the products of labour.

*The original German has here 'Herr M. Wirth', chosen by Marx as a run-of-the-mill vulgar economist and propagandist familiar to German readers. Engels introduced 'Mr Sedley Taylor', a Cambridge don against whom he polemicized in his preface to the fourth German edition (see above, p. 117).

For an example of labour in common, i.e. directly associated labour, we do not need to go back to the spontaneously developed form which we find at the threshold of the history of all civilized peoples.[32] We have one nearer to hand in the patriarchal rural industry of a peasant family which produces corn, cattle, yarn, linen and clothing for its own use. These things confront the family as so many products of its collective labour, but they do not confront each other as commodities. The different kinds of labour which create these products – such as tilling the fields, tending the cattle, spinning, weaving and making clothes – are already in their natural form social functions; for they are functions of the family, which, just as much as a society based on commodity production, possesses its own spontaneously developed division of labour. The distribution of labour within the family and the labour-time expended by the individual members of the family, are regulated by differences of sex and age as well as by seasonal variations in the natural conditions of labour. The fact that the expenditure of the individual labour-powers is measured by duration appears here, by its very nature, as a social characteristic of labour itself, because the individual labour-powers, by their very nature, act only as instruments of the joint labour-power of the family.

Let us finally imagine, for a change, an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force. All the characteristics of Robinson's labour are repeated here, but with the difference that they are social instead of individual. All Robinson's products were exclusively the result of his own personal labour and they were therefore directly objects of utility for him personally. The total product of our imagined association is a social product. One part of this product serves as fresh means of production and re-

32. 'A ridiculous notion has spread abroad recently that communal property in its natural, spontaneous form is specifically Slav, indeed exclusively Russian. In fact, it is the primitive form that we can prove to have existed among Romans, Teutons and Celts, and which indeed still exists to this day in India, in a whole range of diverse patterns, albeit sometimes only as remnants. A more exact study of the Asiatic, and specifically of the Indian form of communal property would indicate the way in which different forms of spontaneous, primitive communal property give rise to different forms of its dissolution. Thus the different original types of Roman and Germanic private property can be deduced from the different forms of Indian communal property' (Karl Marx, *Zur Kritik, etc.*, p. 10) [English translation, p. 33].

mains social. But another part is consumed by the members of the association as means of subsistence. This part must therefore be divided amongst them. The way this division is made will vary with the particular kind of social organization of production and the corresponding level of social development attained by the producers. We shall assume, but only for the sake of a parallel with the production of commodities, that the share of each individual producer in the means of subsistence is determined by his labour-time. Labour-time would in that case play a double part. Its apportionment in accordance with a definite social plan maintains the correct proportion between the different functions of labour and the various needs of the associations. On the other hand, labour-time also serves as a measure of the part taken by each individual in the common labour, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, both towards their labour and the products of their labour, are here transparent in their simplicity, in production as well as in distribution.

For a society of commodity producers, whose general social relation of production consists in the fact that they treat their products as commodities, hence as values, and in this material [*sachlich*] form bring their individual, private labours into relation with each other as homogeneous human labour, Christianity with its religious cult of man in the abstract, more particularly in its bourgeois development, i.e. in Protestantism, Deism, etc., is the most fitting form of religion. In the ancient Asiatic, Classical-antique, and other such modes of production, the transformation of the product into a commodity, and therefore men's existence as producers of commodities, plays a subordinate role, which however increases in importance as these communities approach nearer and nearer to the stage of their dissolution. Trading nations, properly so called, exist only in the interstices of the ancient world, like the gods of Epicurus in the *intermundia*,* or Jews in the pores of Polish society. Those ancient social organisms of production are much more simple and transparent than those of bourgeois society.

*According to the Greek philosopher Epicurus (*c.* 341–*c.* 270 B.C.), the gods existed only in the *intermundia*, or spaces between different worlds, and had no influence on the course of human affairs. Very few of the writings of Epicurus have been preserved in the original Greek, and this particular idea survived only by being included in Cicero, *De natura deorum*, Book I, Section 18.

But they are founded either on the immaturity of man as an individual, when he has not yet torn himself loose from the umbilical cord of his natural species-connection with other men, or on direct relations of dominance and servitude. They are conditioned by a low stage of development of the productive powers of labour and correspondingly limited relations between men within the process of creating and reproducing their material life, hence also limited relations between man and nature. These real limitations are reflected in the ancient worship of nature, and in other elements of tribal religions. The religious reflections of the real world can, in any case, vanish only when the practical relations of everyday life between man and man, and man and nature, generally present themselves to him in a transparent and rational form. The veil is not removed from the countenance of the social life-process, i.e. the process of material production, until it becomes production by freely associated men, and stands under their conscious and planned control. This, however, requires that society possess a material foundation, or a series of material conditions of existence, which in their turn are the natural and spontaneous product of a long and tormented historical development.

Political economy has indeed analysed value and its magnitude, however incompletely,[33] and has uncovered the content concealed

33. The insufficiency of Ricardo's analysis of the magnitude of value – and his analysis is by far the best – will appear from the third and fourth books of this work.* As regards value in general, classical political economy in fact nowhere distinguishes explicitly and with a clear awareness between labour as it appears in the value of a product, and the same labour as it appears in the product's use-value. Of course the distinction is made in practice, since labour is treated sometimes from its quantitative aspect, and at other times qualitatively. But it does not occur to the economists that a purely quantitative distinction between the kinds of labour presupposes their qualitative unity or equality, and therefore their reduction to abstract human labour. For instance, Ricardo declares that he agrees with Destutt de Tracy when the latter says: 'As it is certain that our physical and moral faculties are alone our original riches, the employment of those faculties, labour of some kind, is our original treasure, and it is always from this employment that all those things are created which we call riches ... It is certain too, that all those things only represent the labour which has created them, and if they have a value, or even two distinct values, they can only derive them from that' (the value) 'of the labour from which they emanate' (Ricardo, *The Principles of Political Economy*, 3rd edn, London, 1821, p. 334).† We would here only point out that

*These are the books that appeared, respectively, as Volume 3 of *Capital*, and *Theories of Surplus-Value* (3 volumes).

†Destutt de Tracy, *Élémens d'idéologie*, Parts 4 and 5, Paris, 1826, pp. 35–6.

within these forms. But it has never once asked the question why this content has assumed that particular form, that is to say, why labour is expressed in value, and why the measurement of labour by its duration is expressed in the magnitude of the value of the product.[34] These formulas, which bear the unmistakable stamp of

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Ricardo imposes his own more profound interpretation on the words of Destutt. Admittedly Destutt does say that all things which constitute wealth 'represent the labour which has created them', but, on the other hand, he also says that they acquire their 'two different values' (use-value and exchange-value) from 'the value of labour'. He thus falls into the commonplace error of the vulgar economists, who assume the value of one commodity (here labour) in order in turn to use it to determine the values of other commodities. But Ricardo reads him as if he had said that labour (not the value of labour) is represented both in use-value and in exchange-value. Nevertheless, Ricardo himself makes so little of the dual character of the labour represented in this twofold way that he is forced to spend the whole of his chapter 'Value and Riches, their Distinctive Properties' on a laborious examination of the trivialities of a J. B. Say. And at the end he is therefore quite astonished to find that while Destutt agrees with him that labour is the source of value, he nevertheless also agrees with Say about the concept of value.*

34. It is one of the chief failings of classical political economy that it has never succeeded, by means of its analysis of commodities, and in particular of their value, in discovering the form of value which in fact turns value into exchange-value. Even its best representatives, Adam Smith and Ricardo, treat the form of value as something of indifference, something external to the nature of the commodity itself. The explanation for this is not simply that their attention is entirely absorbed by the analysis of the magnitude of value. It lies deeper. The value-form of the product of labour is the most abstract, but also the most universal form of the bourgeois mode of production; by that fact it stamps the bourgeois mode of production as a particular kind of social production of a historical and transitory character. If then we make the mistake of treating it as the eternal natural form of social production, we necessarily overlook the specificity of the value-form, and consequently of the commodity-form together with its further developments, the money form, the capital form, etc. We therefore find that economists who are entirely agreed that labour-time is the measure of the magnitude of value, have the strangest and most contradictory ideas about money, that is, about the universal equivalent in its finished form. This emerges sharply when they deal with banking, where the commonplace definitions of money will no longer hold water. Hence there has arisen in opposition to the classical economists a restored Mercantilist System (Ganilh etc.), which sees in value only the social form, or rather its insubstantial semblance. Let me point out once and for all that by classical political economy I mean all the economists who, since the time of W. Petty, have investigated the real internal framework [*Zusammenhang*] of bourgeois

*'I am sorry to be obliged to add that M. de Tracy supports, by his authority, the definitions which M. Say has given of the words "value", "riches", and "utility" ' (Ricardo, op. cit., p. 334).

belonging to a social formation in which the process of production has mastery over man, instead of the opposite, appear to the political economists' bourgeois consciousness to be as much a self-evident and nature-imposed necessity as productive labour itself. Hence the pre-bourgeois forms of the social organization of production are treated by political economy in much the same way as the Fathers of the Church treated pre-Christian religions.[35]

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relations of production, as opposed to the vulgar economists who only flounder around within the apparent framework of those relations, ceaselessly ruminate on the materials long since provided by scientific political economy, and seek there plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie. Apart from this, the vulgar economists confine themselves to systematizing in a pedantic way, and proclaiming for everlasting truths, the banal and complacent notions held by the bourgeois agents of production about their own world, which is to them the best possible one.

35. 'The economists have a singular way of proceeding. For them, there are only two kinds of institutions, artificial and natural. The institutions offeud alism are artificial institutions, those of the bourgeoisie are natural institutions. In this they resemble the theologians, who likewise establish two kinds of religion. Every religion which is not heirs is an invention of men, while their own is an emanation of God ... Thus there has been history, but there is no longer any' (Karl Marx, *Misère de la philosophie. Réponse à la philosophie de la misère de M. Proudhon*, 1847, p. 113).* Truly comical is M. Bastiat, who imagines that the ancient Greeks and Romans lived by plunder alone. For if people live by plunder for centuries there must, after all, always be something there to plunder; in other words, the objects of plunder must be continually reproduced. It seems, therefore, that even the Greeks and the Romans had a process of production, hence an economy, which constituted the material basis of their world as much as the bourgeois economy constitutes that of the present-day world. Or perhaps Bastiat means that a mode of production based on the labour of slaves is based on a system of plunder? In that case he is on dangerous ground. If a giant thinker like Aristotle could err in his evaluation of slave-labour, why should a dwarf economist like Bastiat be right in his evaluation of wage-labour? I seize this opportunity of briefly refuting an objection made by a German–American publication to my work *Zur Kritik der Politischen Ökonomie*, 1859. My view is that each particular mode of production, and the relations of production corresponding to it at each given moment, in short 'the economic structure of society', is 'the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness', and that 'the mode of production of material life conditions the general process of social, political and intellectual life'.†

* English translation: Karl Marx, *The Poverty of Philosophy*, London, 1966, p. 105.

† These passages are taken from the Preface to *A Contribution to the Critique of Political Economy*, written in January 1859 (English translation, pp. 20–21).

The degree to which some economists are misled by the fetishism attached to the world of commodities, or by the objective appearance of the social characteristics of labour, is shown, among other things, by the dull and tedious dispute over the part played by nature in the formation of exchange-value. Since exchange-value is a definite social manner of expressing the labour bestowed on a thing, it can have no more natural content than has, for example, the rate of exchange.

As the commodity-form is the most general and the most undeveloped form of bourgeois production, it makes its appearance at an early date, though not in the same predominant and therefore characteristic manner as nowadays. Hence its fetish character is still relatively easy to penetrate. But when we come to more concrete forms, even this appearance of simplicity vanishes. Where did the illusions of the Monetary System come from? The adherents of the Monetary System did not see gold and silver as representing money as a social relation of production, but in the form of natural objects with peculiar social properties. And what of modern political economy, which looks down so disdainfully on the Monetary System? Does not its fetishism become quite palpable when it deals with capital? How long is it since the disappearance of the Physiocratic illusion that ground rent grows out of the soil, not out of society?

But, to avoid anticipating, we will content ourselves here with one more example relating to the commodity-form itself. If commodities could speak, they would say this: our use-value may interest men, but it does not belong to us as objects. What does belong to us as objects, however, is our value. Our own inter-

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In the opinion of the German–American publication this is all very true for our own times, in which material interests are preponderant, but not for the Middle Ages, dominated by Catholicism, nor for Athens and Rome, dominated by politics. In the first place, it strikes us as odd that anyone should suppose that these well-worn phrases about the Middle Ages and the ancient world were unknown to anyone else. One thing is clear: 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 their livelihood which explains why in one case politics, in the other case Catholicism, played the chief part. For the rest, one needs no more than a slight acquaintance with, for example, the history of the Roman Republic, to be aware that its secret history is the history of landed property. And then there is Don Quixote, who long ago paid the penalty for wrongly imagining that knight errantry was compatible with all economic forms of society.

course as commodities proves it. We relate to each other merely as exchange-values. Now listen how those commodities speak through the mouth of the economist:

'Value (i.e. exchange-value) is a property of things, riches (i.e. use-value) of man. Value, in this sense, necessarily implies exchanges, riches do not.'[36]

'Riches (use-value) are the attribute of man, value is the attribute of commodities. A man or a community is rich, a pearl or a diamond is valuable . . . A pearl or a diamond is valuable as a pearl or diamond.'[37]

So far no chemist has ever discovered exchange-value either in a pearl or a diamond. The economists who have discovered this chemical substance, and who lay special claim to critical acumen, nevertheless find that the use-value of material objects belongs to them independently of their material properties, while their value, on the other hand, forms a part of them as objects. What confirms them in this view is the peculiar circumstance that the use-value of a thing is realized without exchange, i.e. in the direct relation between the thing and man, while, inversely, its value is realized only in exchange, i.e. in a social process. Who would not call to mind at this point the advice given by the good Dogberry to the night-watchman Seacoal?*

'To be a well-favoured man is the gift of fortune; but reading and writing comes by nature.'[38]

36. *Observations on Some Verbal Disputes in Pol. Econ., Particularly Relating to Value, and to Supply and Demand*, London, 1821, p. 16.

37. S. Bailey, op. cit., p. 165.

38. Both the author of *Observations etc.*, and S. Bailey accuse Ricardo of converting exchange-value from something relative into something absolute. The reverse is true. He has reduced the apparent relativity which these things (diamonds, pearls, etc.) possess to the true relation hidden behind the appearance, namely their relativity as mere expressions of human labour. If the followers of Ricardo answer Bailey somewhat rudely, but by no means convincingly, this is because they are unable to find in Ricardo's own works any elucidation of the inner connection between value and the form of value, or exchange-value.

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* In Shakespeare's comedy *Much Ado About Nothing*, Act 3, Scene 3.

Chapter 2: The Process of Exchange

Commodities cannot themselves go to market and perform exchanges in their own right. We must, therefore, have recourse to their guardians, who are the possessors of commodities. Commodities are things, and therefore lack the power to resist man. If they are unwilling, he can use force; in other words, he can take possession of them.[1] In order that these objects may enter into relation with each other as commodities, their guardians must place themselves in relation to one another as persons whose will resides in those objects, and must behave in such a way that each does not appropriate the commodity of the other, and alienate his own, except through an act to which both parties consent. The guardians must therefore recognize each other as owners of private property. This juridical relation, whose form is the contract, whether as part of a developed legal system or not, is a relation between two wills which mirrors the economic relation. The content of this juridical relation (or relation of two wills) is itself determined by the economic relation.[2] Here the persons exist for one another merely

1. In the twelfth century, so renowned for its piety, very delicate things often appear among these commodities. Thus a French poet of the period enumerates among the commodities to be found in the fair of Lendit, alongside clothing, shoes, leather, implements of cultivation, skins, etc., also *'femmes folles de leur corps'*.*

2. Proudhon creates his ideal of justice, of *'justice éternelle'*, from the juridical relations that correspond to the production of commodities: he thereby proves, to the consolation of all good petty bourgeois, that the production of commodities is a form as eternal as justice. Then he turns round and seeks to reform the actual production of commodities, and the corresponding legal system, in accordance with this ideal. What would one think of a chemist who, instead of studying the actual laws governing molecular interactions, and on that basis solving definite problems, claimed to regulate

*'Wanton women'. This passage comes from the *Dit du Lendit*, a satirical poem by the medieval French poet Guillot de Paris.

as representatives and hence owners, of commodities. As we proceed to develop our investigation, we shall find, in general, that the characters who appear on the economic stage are merely personifications of economic relations; it is as the bearers* of these economic relations that they come into contact with each other.

What chiefly distinguishes a commodity from its owner is the fact that every other commodity counts for it only as the form of appearance of its own value. A born leveller and cynic, it is always ready to exchange not only soul, but body, with each and every other commodity, be it more repulsive than Maritornes herself.† The owner makes up for this lack in the commodity of a sense of the concrete, physical body of the other commodity, by his own five and more senses. For the owner, his commodity possesses no direct use-value. Otherwise, he would not bring it to market. It has use-value for others; but for himself its only direct use-value is as a bearer of exchange-value, and consequently, a means of exchange.[3] He therefore makes up his mind to sell it in return for commodities whose use-value is of service to him. All commodities are non-use-values for their owners, and use-values for their non-owners. Consequently, they must all change hands. But this changing of hands constitutes their exchange, and their exchange puts them in relation with each other as values and realizes them as values. Hence commodities must be realized as values before they can be realized as use-values.

On the other hand, they must stand the test as use-values before they can be realized as values. For the labour expended on them only counts in so far as it is expended in a form which is useful

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those interactions by means of the 'eternal ideas' of *'naturalité'* and *'affinité'*? Do we really know any more about 'usury', when we say it contradicts *'justice éternelle'*, *'équité éternelle'*, *'mutualité éternelle'*, and other *'vérités éternelles'* than the fathers of the church did when they said it was incompatible with *'grâce éternelle'*, *'foi éternelle'*, and *'la volunté éternelle de Dieu'*?

3. 'For twofold is the use of every object ... The one is peculiar to the object as such, the other is not, as a sandal which may be worn and is also exchangeable. Both are uses of the sandal, for even he who exchanges the sandal for the money or food he is in need of, makes use of the sandal as a sandal. But not in its natural way. For it has not been made for the sake of being exchanged' (Aristotle, *Republic*, I, i, c. 9).

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*The concept of an object (or person) as the receptacle, repository, bearer [*Träger*] of some thing or tendency quite different from it appears repeatedly in *Capital*, and I have tried to translate it uniformly as 'bearer'.

† Maritornes: a character from Cervantes' novel *Don Quixote*.

for others. However, only the act of exchange can prove whether that labour is useful for others, and its product consequently capable of satisfying the needs of others.

The owner of a commodity is prepared to part with it only in return for other commodities whose use-value satisfies his own need. So far, exchange is merely an individual process for him. On the other hand, he desires to realize his commodity, as a value, in any other suitable commodity of the same value. It does not matter to him whether his own commodity has any use-value for the owner of the other commodity or not. From this point of view, exchange is for him a general social process. But the same process cannot be simultaneously for all owners of commodities both exclusively individual and exclusively social and general.

Let us look at the matter a little more closely. To the owner of a commodity, every other commodity counts as the particular equivalent of his own commodity. Hence his own commodity is the universal equivalent for all the others. But since this applies to every owner, there is in fact no commodity acting as universal equivalent, and the commodities possess no general relative form of value under which they can be equated as values and have the magnitude of their values compared. Therefore they definitely do not confront each other as commodities, but as products or use-values only.

In their difficulties our commodity-owners think like Faust: 'In the beginning was the deed.'* They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of the commodity. But only the action of society can turn a particular commodity into the universal equivalent. The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. The natural form of this commodity thereby becomes the socially recognized equivalent form. Through the agency of the social process it becomes the specific social function of the commodity

*'*Im Anfang war die Tat*' (Goethe, *Faust*, Part I, Scene 3, Faust's Study, line 1237).

which has been set apart to be the universal equivalent. It thus becomes – money.

'*Illi unum consilium habent et virtutem et potestatem suam bestiae tradunt . . . Et ne quis possit emere aut vendere, nisi qui habet characterem aut nomen bestiae, aut numerum nominis eius*' (Apocalypse).*

Money necessarily crystallizes out of the process of exchange, in which different products of labour are in fact equated with each other, and thus converted into commodities. The historical broadening and deepening of the phenomenon of exchange develops the opposition between use-value and value which is latent in the nature of the commodity. The need to give an external expression to this opposition for the purposes of commercial intercourse produces the drive towards an independent form of value, which finds neither rest nor peace until an independent form has been achieved by the differentiation of commodities into commodities and money. At the same rate, then, as the transformation of the products of labour into commodities is accomplished, one particular commodity is transformed into money.[4]

The direct exchange of products has the form of the simple expression of value in one respect, but not as yet in another. That form was x commodity A $= y$ commodity B. The form of the direct exchange of products is x use-value A $= y$ use-value B.[5] The articles A and B in this case are not as yet commodities, but become so only through the act of exchange. The first way in which

4. From this we may form an estimate of the craftiness of petty-bourgeois socialism, which wants to perpetuate the production of commodities while simultaneously abolishing the 'antagonism between money and commodities', i.e. abolishing money itself, since money only exists in and through this antagonism.* One might just as well abolish the Pope while leaving Catholicism in existence. For more on this point see my work *Zur Kritik der Politischen Ökonomie*, p. 61 ff. [English translation, pp. 83–6].

5. So long as a chaotic mass of articles is offered as the equivalent for a single article (as is often the case among savages), instead of two distinct objects of utility being exchanged, we are only at the threshold of even the direct exchange of products.

*This is directed at the proposal of John Gray, in *The Social System* (1831), for the introduction of labour-money, later taken up by Proudhon.

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*'These have one mind, and shall give their power and strength unto the beast' (Revelation 17: 13). 'And that no man might buy or sell, save that he had the mark, or the name of the beast, or the number of his name' (Revelation 13: 17).

an object of utility attains the possibility of becoming an exchange-value is to exist as a non-use-value, as a quantum of use-value superfluous to the immediate needs of its owner. Things are in themselves external to man, and therefore alienable. In order that this alienation [*Veräusserung*] may be reciprocal, it is only necessary for men to agree tacitly to treat each other as the private owners of those alienable things, and, precisely for that reason, as persons who are independent of each other. But this relationship of reciprocal isolation and foreignness does not exist for the members of a primitive community of natural origin, whether it takes the form of a patriarchal family, an ancient Indian commune or an Inca state. The exchange of commodities begins where communities have their boundaries, at their points of contact with other communities, or with members of the latter. However, as soon as products have become commodities in the external relations of a community, they also, by reaction, become commodities in the internal life of the community. Their quantitative exchange-relation is at first determined purely by chance. They become exchangeable through the mutual desire of their owners to alienate them. In the meantime, the need for others' objects of utility gradually establishes itself. The constant repetition of exchange makes it a normal social process. In the course of time, therefore, at least some part of the products must be produced intentionally for the purpose of exchange. From that moment the distinction between the usefulness of things for direct consumption and their usefulness in exchange becomes firmly established. Their use-value becomes distinguished from their exchange-value. On the other hand, the quantitative proportion in which the things are exchangeable becomes dependent on their production itself. Custom fixes their values at definite magnitudes.

In the direct exchange of products, each commodity is a direct means of exchange to its owner, and an equivalent to those who do not possess it, although only in so far as it has use-value for them. At this stage, therefore, the articles exchanged do not acquire a value-form independent of their own use-value, or of the individual needs of the exchangers. The need for this form first develops with the increase in the number and variety of the commodities entering into the process of exchange. The problem and the means for its solution arise simultaneously. Commercial intercourse, in which the owners of commodities exchange and compare their own articles with various other articles, never takes place unless different kinds of commodities belonging to different owners are exchanged for, and equated as values with, one single further kind of commodity. This further commodity, by becoming the equivalent of various other commodities, directly acquires the form of a universal or social equivalent, if only within narrow limits. The universal equivalent form comes and goes with the momentary social contacts which call it into existence. It is transiently attached to this or that commodity in alternation. But with the development of exchange it fixes itself firmly and exclusively onto particular kinds of commodity, i.e. it crystallizes out into the money-form. The particular kind of commodity to which it sticks is at first a matter of accident. Nevertheless there are two circumstances which are by and large decisive. The money-form comes to be attached either to the most important articles of exchange from outside, which are in fact the primitive and spontaneous forms of manifestation of the exchange-value of local products, or to the object of utility which forms the chief element of indigenous alienable wealth, for example cattle. Nomadic peoples are the first to develop the money-form, because all their worldly possessions are in a movable and therefore directly alienable form, and because their mode of life, by continually bringing them into contact with foreign communities, encourages the exchange of products. Men have often made man himself into the primitive material of money, in the shape of the slave, but they have never done this with the land and soil. Such an idea could only arise in a bourgeois society, and one which was already well developed. It dates from the last third of the seventeenth century, and the first attempt to implement the idea on a national scale was made a century later, during the French bourgeois revolution.*

In the same proportion as exchange bursts its local bonds, and the value of commodities accordingly expands more and more into the material embodiment of human labour as such, in that proportion does the money-form become transferred to commodities which are by nature fitted to perform the social function of a universal equivalent. Those commodities are the precious metals.

The truth of the statement that 'although gold and silver are not by nature money, money is by nature gold and silver',[6] is

6. Karl Marx, op. cit., p. 135 [English translation, p. 155]. 'The metals ... are by their nature money' (Galiani, *Della Moneta*, in Custodi's collection, *Parte moderna*, Vol. 3, p. 137).

* The issue of the *assignats* in 1789, backed by confiscated Church lands.

shown by the appropriateness of their natural properties for the functions of money.[7] So far, however, we are acquainted with only one function of money, namely to serve as the form of appearance of the value of commodities, that is as the material in which the magnitudes of their values are socially expressed. Only a material whose every sample possesses the same uniform quality can be an adequate form of appearance of value, that is a material embodiment of abstract and therefore equal human labour. On the other hand, since the difference between the magnitudes of value is purely quantitative, the money commodity must be capable of purely quantitative differentiation, it must therefore be divisible at will, and it must also be possible to assemble it again from its component parts. Gold and silver possess these properties by nature.

The money commodity acquires a dual use-value. Alongside its special use-value as a commodity (gold, for instance, serves to fill hollow teeth, it forms the raw material for luxury articles, etc.) it acquires a formal use-value, arising out of its specific social function.

Since all other commodities are merely particular equivalents for money, the latter being their universal equivalent, they relate to money as particular commodities relate to the universal commodity.[8]

We have seen that the money-form is merely the reflection thrown upon a single commodity by the relations between all other commodities. That money is a commodity[9] is therefore only a discovery for those who proceed from its finished shape in order to analyse it afterwards. The process of exchange gives to the com-

7. For further details on this subject see the chapter on 'The Precious Metals' in my work cited above [English translation, pp. 153–7].

8. 'Money is the universal commodity' (Verri, op. cit., p. 16).

9. 'Silver and gold themselves, which we may call by the general name of Bullion, are ... commodities ... rising and falling in ... value ... Bullion then may be reckoned to be of higher value, where the smaller weight will purchase the greater quantity of the product or manufacture of the country etc.' (S. Clement, *A Discourse of the General Notions of Money, Trade, and Exchange, as They Stand in Relations to Each Other. By a Merchant*, London, 1695, p. 7). 'Silver and gold, coined or uncoined, tho' they are used for a measure of all other things, are no less a commodity than wine, oyl, tobacco, cloth or stuffs' (J. Child, *A Discourse Concerning Trade, and That in Particular of the East-Indies etc.*, London, 1689, p. 2). 'The stock and riches of the kingdom cannot properly be confined to money, nor ought gold and silver to be excluded from being merchandize' (T. Papillon, *The East-India Trade a Most Profitable Trade*, London, 1677, p. 4).

modity which it has converted into money not its value but its specific value-form. Confusion between these two attributes has misled some writers into maintaining that the value of gold and silver is imaginary.[10] The fact that money can, in certain functions, be replaced by mere symbols of itself, gave rise to another mistaken notion, that it is itself a mere symbol. Nevertheless, this error did contain the suspicion that the money-form of the thing is external to the thing itself, being simply the form of appearance of human relations hidden behind it. In this sense every commodity is a symbol, since, as value, it is only the material shell of the human labour expended on it.[11] But if it is declared that the social characteristics assumed by material objects, or the material charac-

10. 'Gold and silver have value as metals before they are money' (Galiani, op. cit., p. 72). Locke says, 'The universal consent of mankind gave to silver, on account of its qualities which made it suitable for money, an imaginary value' (John Locke, *Some Considerations etc.*, 1691, in *Works*, ed. 1777, Vol. 2, p. 15). Law, on the other hand, says 'How could different nations give an imaginary value to any single thing ... or how could this imaginary value have maintained itself?' But he himself understood very little of the matter, for example 'Silver was exchanged in proportion to the use-value it possessed, consequently in proportion to its real value. By its adoption as money it received an additional value (*une valeur additionnelle*)' (Jean Law, *Considérations sur le numéraire et le commerce*, in E. Daire's edition of *Économistes financiers du XVIII siècle*, pp. 469–70).

11. 'Money is their (the commodities') symbol' (V. de Forbonnais, *Élémens du commerce*, new edn, Leyden, 1776, Vol. 2, p. 143). 'As a symbol it is attracted by the commodities' (ibid. p. 155). 'Money is a symbol of a thing and represents it' (Montesquieu, *Esprit des lois, Œuvres*, London, 1767, Vol. 2, p. 3). 'Money is not a mere symbol, for it is itself wealth; it does not represent the values, it is their equivalent' (Le Trosne, op. cit., p. 910). 'If we consider the concept of value, we must look on the thing itself only as a symbol; it counts not as itself, but as what it is worth' (Hegel, op. cit., p. 100).* Long before the economists, lawyers made fashionable the idea that money is a mere symbol, and that the value of the precious metals is purely imaginary. This they did in the sycophantic service of the royal power, supporting the right of the latter to debase the coinage, during the whole of the Middle Ages, by the traditions of the Roman Empire and the conceptions of money to be found in the Digest. 'Let no one call into question,' says their apt pupil, Philip of Valois, in a decree of 1346, 'that the trade, the composition, the supply, and the power of issuing ordinances on the currency ... belongs exclusively to us and to our royal majesty, to fix such a rate and at such a price as it shall please us and seem good to us.' It was a maxim of Roman Law that the value of money was fixed by Imperial decree. It was expressly forbidden to treat money as a commodity. '*Pecunias vero nulli emere fas erit, nam in usu publico constitutas*

*This is a reference to the *Philosophy of Right*, para. 63, Addition (English translation, p. 240).

teristics assumed by the social determinations of labour on the basis of a definite mode of production, are mere symbols, then it is also declared, at the same time, that these characteristics are the arbitrary product of human reflection. This was the kind of explanation favoured by the eighteenth century: in this way the Enlightenment endeavoured, at least temporarily, to remove the appearance of strangeness from the mysterious shapes assumed by human relations whose origins they were unable to decipher.

It has already been remarked above that the equivalent form of a commodity does not imply that the magnitude of its value can be determined. Therefore, even if we know that gold is money, and consequently directly exchangeable with all other commodities, this still does not tell us how much 10lb. of gold is worth, for instance. Money, like every other commodity, cannot express the magnitude of its value except relatively in other commodities. This value is determined by the labour-time required for its production, and is expressed in the quantity of any other commodity in which the same amount of labour-time is congealed.[12] This establishing of its relative value occurs at the source of its production by means of barter. As soon as it enters into circulation as money, its value is already given. In the last decades of the seventeenth century the first step in the analysis of money, the discovery that money is a commodity, had already been taken; but this was merely the first step, and nothing more. The difficulty lies not in comprehending that money is a commodity, but in discovering how, why and by what means a commodity becomes money.[13]

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oportet non esse mercem.'* There is a good discussion of this by G. F. Pagnini, in *Saggio sopra il giusto pregio delle cose*, 1751, printed in Custodi's collection, *Parte moderna*, Vol. 2. In the second part of his work Pagnini directs his polemic especially against the legal gentlemen.

12. 'If a man can bring to London an ounce of silver out of the Earth of Peru, in the same time that he can produce a bushel of corn, then the one is the natural price of the other: now, if by reason of new or more easie mines a man can procure two ounces of silver as easily as he formerly did one, the corn will be as cheap at ten shillings the bushel as it was before at five shillings, *caeteris paribus*' (William Petty, *A Treatise of Taxes and Contributions*, London, 1667, p. 32).

13. The learned Professor Roscher, after first informing us that 'the false definitions of money may be divided into two main groups: those which make

*'However, it shall not be lawful for anyone to buy money, for, as it was created for public use, it is not permissible for it to be a commodity' (*Codex Theodosianus*, lib. 9, tit. 23).

We have already seen, from the simplest expression of value, x commodity $A = y$ commodity B, that the thing in which the magnitude of the value of another thing is represented appears to have the equivalent form independently of this relation, as a social property inherent in its nature. We followed the process by which this false semblance became firmly established, a process which was completed when the universal equivalent form became identified with the natural form of a particular commodity, and thus crystallized into the money-form. What appears to happen is not that a particular commodity becomes money because all other commodities express their values in it, but, on the contrary, that all other commodities universally express their values in a particular commodity because it is money. The movement through which this process has been mediated vanishes in its own result, leaving no trace behind. Without any initiative on their part, the commodities find their own value-configuration ready to hand, in the form of a physical commodity existing outside but also alongside them. This physical object, gold or silver in its crude state, becomes, immediately on its emergence from the bowels of the earth, the direct incarnation of all human labour. Hence the magic of money. Men are henceforth related to each other in their social process of production in a purely atomistic way. Their own relations of production therefore assume a material shape which is independent of their control and their conscious individual action. This situation is manifested first by the fact that the products of men's labour universally take on the form of commodities. The riddle of the money fetish is therefore the riddle of the commodity fetish, now become visible and dazzling to our eyes.

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it more, and those which make it less, than a commodity', gives us a motley catalogue of works on the nature of money, which does not provide even the glimmer of an insight into the real history of the theory. He then draws this moral: 'For the rest, it is not to be denied that most of the later economists do not bear sufficiently in mind the peculiarities that distinguish money from other commodities' (it is then, after all, either more or less than a commodity!)... 'So far, the semi-mercantilist reaction of Ganilh is not altogether without foundation' (Wilhelm Roscher, *Die Grundlagen der Nationalökonomie*, 3rd edn, 1858, pp. 207–10). More! Less! Not sufficiently! So far! Not altogether! What a way of determining one's concepts! And this eclectic professorial twaddle is modestly baptized by Herr Roscher 'the anatomico-physiological method' of political economy! However, he does deserve credit for one discovery, namely, that money is 'a pleasant commodity'.

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]

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-

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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

*W. E. Parry, *Journal of a Voyage for the Discovery of a North-West Passage*, London, 1821, p. 227.

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.[3] 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.[4]

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receiving it. If the tongue is thus used in the North as the organ of appropriation, it is no wonder that in the South the stomach serves as the organ of accumulated property, and that a Kaffir estimates the wealth of a man by the size of his belly. The Kaffirs know what they are doing, for at the same time as the official British Health Report of 1864 was bemoaning the deficiency of fat-forming substances among a large part of the working class, a certain Dr Harvey (not, however, the man who discovered the circulation of the blood) was doing well by advertising recipes for reducing the surplus fat of the bourgeoisie and the aristocracy.

3. See Karl Marx, *Zur Kritik etc.*, 'Theories of the Standard of Money', pp. 53 ff. [English translation, pp. 76 ff.].

4. 'Wherever silver and gold exist side by side as legal money, i.e. as measure of value, the vain attempt has always been made to treat them as one and the

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

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

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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.[5] 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.[6]

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.[7] 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.[8] (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.[9]

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.[10] 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.

† David Urquhart, *Familiar Words as Affecting England and the English*, London, 1855, p. 105.

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 ¼ 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,[14] 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 ½ 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:

> '*Assai bene è trascorsa*
> *D'esta moneta già la lega e il peso,*
> *Ma dimmi se tu l'hai nella tua borsa.*'*

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.

say, the change in form or the metamorphosis of commodities through which the social metabolism is mediated.

This change of form has been very imperfectly grasped as yet, owing to the circumstance that, quite apart from the lack of clarity in the concept of value itself, every change of form in a commodity results from the exchange of two commodities, namely an ordinary commodity and the money commodity. If we keep in mind only this material aspect, that is, the exchange of the commodity for gold, we overlook the very thing we ought to observe, namely what has happened to the form of the commodity. We do not see that gold, as a mere commodity, is not money, and that the other commodities, through their prices, themselves relate to gold as the medium for expressing their own shape in money.

Commodities first enter into the process of exchange ungilded and unsweetened, retaining their original home-grown shape. Exchange, however, produces a differentiation of the commodity into two elements, commodity and money, an external opposition which expresses the opposition between use-value and value which is inherent in it. In this opposition, commodities as use-values confront money as exchange-value. On the other hand, both sides of this opposition are commodities, hence themselves unities of use-value and value. But this unity of differences is expressed at two opposite poles, and at each pole in an opposite way. This is the alternating relation between the two poles: the commodity is in reality a use-value; its existence as a value appears only ideally, in its price, through which it is related to the real embodiment of its value, the gold which confronts it as its opposite. Inversely, the material of gold ranks only as the materialization of value, as money. It is therefore in reality exchange-value. Its use-value appears only ideally in the series of expressions of relative value within which it confronts all the other commodities as the totality of real embodiments of its utility. These antagonistic forms of the commodities are the real forms of motion of the process of exchange.

Let us now accompany the owner of some commodity, say our old friend the linen weaver, to the scene of action, the market. His commodity, 20 yards of linen, has a definite price, £2. He exchanges it for the £2, and then, being a man of the old school, he parts for the £2 in return for a family Bible of the same price. The linen, for him a mere commodity, a bearer of value, is alienated in exchange for gold, which is the shape of the linen's value, then it is taken out of this shape and alienated again in exchange for another commodity, the Bible, which is destined to enter the weaver's house as an object of utility and there to satisfy his family's need for edification. The process of exchange is therefore accomplished through two metamorphoses of opposite yet mutually complementary character – the conversion of the commodity into money, and the re-conversion of the money into a commodity.[16] The two moments of this metamorphosis are at once distinct transactions by the weaver – selling, or the exchange of the commodity for money, and buying, or the exchange of the money for a commodity – and the unity of the two acts: selling in order to buy.

The end result of the transaction, from the point of view of the weaver, is that instead of being in possession of the linen, he now has the Bible; instead of his original commodity, he now possesses another of the same value but of different utility. He procures his other means of subsistence and of production in a similar way. For the weaver, the whole process accomplishes nothing more than the exchange of the product of his labour for the product of someone else's, nothing more than an exchange of products.

The process of exchange is therefore accomplished through the following changes of form:

Commodity–Money–Commodity

C–M–C

As far as concerns its material content, the movement is C–C, the exchange of one commodity for another, the metabolic interaction of social labour, in whose result the process itself becomes extinguished.

C–M. First metamorphosis of the commodity, or sale. The leap taken by value from the body of the commodity into the body of the gold is the commodity's *salto mortale*, as I have called it elsewhere.* If the leap falls short, it is not the commodity which is de-

16. 'ἐκ δὲ τοῦ . . . πυρὸς τ'ἀνταμείβεσθαι πάντα, φησὶν ὁ 'Ηράκλειτος, καὶ πῦρ ἁπαντων, ὥσπερ χρυσοῦ χρήματα καὶ χρημάτων χρυσός' (F. Lassalle, *Die Philosophie Herakleitos des Dunkeln*, Berlin, 1858, Vol. 1, p. 222).* Lassalle, in his note on this passage, p. 224, n. 3, erroneously makes money a mere symbol of value.

*'As Heracleitus says, all things exchange for fire, and fire for all things, just as gold does for goods and goods for gold' (Plutarch, *Moralia*, 'The E at Delphi', 388D).

* See *A Contribution to the Critique of Political Economy*, p. 88.

frauded but rather its owner. The social division of labour makes the nature of his labour as one-sided as his needs are many-sided. This is precisely the reason why the product of his labour serves him solely as exchange-value. But it cannot acquire universal social validity as an equivalent-form except by being converted into money. That money, however, is in someone else's pocket. To allow it to be drawn out, the commodity produced by its owner's labour must above all be a use-value for the owner of the money. The labour expended on it must therefore be of a socially useful kind, i.e. it must maintain its position as a branch of the social division of labour. But the division of labour is an organization of production which has grown up naturally, a web which has been, and continues to be, woven behind the backs of the producers of commodities. Perhaps the commodity is the product of a new kind of labour, and claims to satisfy a newly arisen need, or is even trying to bring forth a new need on its own account. Perhaps a particular operation, although yesterday it still formed one out of the many operations conducted by one producer in creating a given commodity, may today tear itself out of this framework, establish itself as an independent branch of labour, and send its part of the product to market as an independent commodity. The circumstances may or may not be ripe for such a process of separation. Today the product satisfies a social need. Tomorrow it may perhaps be expelled partly or completely from its place by a similar product. Moreover, although our weaver's labour may be a recognized branch of the social division of labour, yet that fact is by no means sufficient to guarantee the utility of his 20 yards of linen. If the society's need for linen – and such a need has a limit like every other need – has already been satisfied by the products of rival weavers, our friend's product is superfluous, redundant and consequently useless. Although people do not look a gift-horse in the mouth, our friend does not frequent the market to make presents of his products. Let us assume, however, that the use-value of his product does maintain itself, and that the commodity therefore attracts money. Now we have to ask: how much money? No doubt the answer is already anticipated in the price of the commodity, which is the exponent of the magnitude of its value. We leave out of consideration here any possible subjective errors in calculation by the owner of the commodity, which will immediately be corrected objectively in the market. We suppose him to have spent on his product only the average socially necessary quantity of labour-time. The price of the commodity, therefore, is merely the money-name of the quantity of social labour objectified in it. But now the old-established conditions of production in weaving are thrown into the melting-pot, without the permission of, and behind the back of, our weaver. What was yesterday undoubtedly labour-time socially necessary to the production of a yard of linen ceases to be so today, a fact which the owner of the money is only too eager to prove from the prices quoted by our friend's competitors. Unluckily for the weaver, people of his kind are in plentiful supply. Let us suppose, finally, that every piece of linen on the market contains nothing but socially necessary labour-time. In spite of this, all these pieces taken as a whole may contain superfluously expended labour-time. If the market cannot stomach the whole quantity at the normal price of 2 shillings a yard, this proves that too great a portion of the total social labour-time has been expended in the form of weaving. The effect is the same as if each individual weaver had expended more labour-time on his particular product than was socially necessary. As the German proverb has it: caught together, hung together. All the linen on the market counts as one single article of commerce, and each piece of linen is only an aliquot part of it. And in fact the value of each single yard is also nothing but the materialization of the same socially determined quantity of homogeneous human labour.*

We see then that commodities are in love with money, but that 'the course of true love never did run smooth'. The quantitative articulation [*Gliederung*] of society's productive organism, by which its scattered elements are integrated into the system of the division of labour, is as haphazard and spontaneous as its qualitative articulation. The owners of commodities therefore find out that the same division of labour which turns them into independent private producers also makes the social process of production and the relations of the individual producers to each other within that process independent of the producers themselves; they also find out that the independence of the individuals from each other has as

*In a letter of 28 November 1878 to N. F. Danielson, the Russian translator of *Capital*, Marx made the following alteration to this sentence: 'And in fact the value of each single yard is also nothing but the materialization of a part of the quantity of social labour expended in the whole amount of the linen.' An analogous correction was made in a copy of the second German edition of the first volume of *Capital* which belonged to Marx; however this was not in his handwriting. [Note by the Institute of Marxism-Leninism] its counterpart and supplement a system of all-round material dependence.

The division of labour converts the product of labour into a commodity, and thereby makes necessary its conversion into money. At the same time, it makes it a matter of chance whether this transubstantiation succeeds or not. Here, however, we have to look at the phenomenon in its pure shape, and must therefore assume it has proceeded normally. In any case, if the process is to take place at all, i.e. if the commodity is not impossible to sell, a change of form must always occur, although there may be an abnormal loss or accretion of substance – that is, of the magnitude of value.

The seller has his commodity replaced by gold, the buyer has his gold replaced by a commodity. The striking phenomenon here is that a commodity and gold, 20 yards of linen and £2, have changed hands and places, in other words that they have been exchanged. But what is the commodity exchanged for? For the universal shape assumed by its own value. And what is the gold exchanged for? For a particular form of its own use-value. Why does gold confront the linen as money? Because the linen's price of £2, its money-name, already brings it into relation with the gold as money. The commodity is divested of its original form through its sale, i.e. the moment its use-value actually attracts the gold, which previously had a merely imaginary existence in its price. The realization of a commodity's price, or of its merely ideal value-form, is therefore at the same time, and inversely, the realization of the merely ideal use-value of money; the conversion of a commodity into money is the conversion of money into a commodity. This single process is two-sided: from one pole, that of the commodity-owner, it is a sale, from the other pole, that of the money-owner, it is a purchase. In other words, a sale is a purchase, C–M is also M–C.[17]

Up to this point we have considered only one economic relation between men, a relation between owners of commodities in which they appropriate the produce of the labour of others by alienating [*entfremden*] the produce of their own labour. Hence, for one com-

17. 'Every sale is a purchase' (Dr Quesnay, *Dialogues sur le commerce et les travaux des artisans*, *Physiocrates*, ed. Daire, Part 1, Paris, 1846, p. 170), or, as Quesnay says in his *Maximes générales*, 'To sell is to buy.'*

*This quotation appears in Dupont de Nemours, *Maximes du docteur Quesnay*, printed in *Physiocrates*, ed. Daire, Part 1, Paris, 1846, p. 392.

modity-owner to meet with another, in the form of a money-owner, it is necessary either that the product of the latter should possess by its nature the form of money, i.e. it should be gold, the material of which money consists, or that his product should already have changed its skin and stripped off its original form of a useful object. In order to function as money, gold must of course enter the market at some point or other. This point is to be found at its source of production, where the gold is exchanged, as the immediate product of labour, for some other product of equal value. But from that moment onwards, it always represents the realized price of some commodity.[18] Leaving aside its exchange for other commodities at the source of production, gold is, in the hands of every commodity-owner, his own commodity divested [*entäussert*] of its original shape by being alienated [*veräussert*];* it is the product of a sale or of the first metamorphosis C–M.[19] Gold, as we saw, became ideal money, or a measure of value, because all commodities measured their values in it, and thus made it the imaginary opposite of their natural shape as objects of utility, hence the shape of their value. It became real money because the commodities, through their complete alienation, suffered a divestiture or transformation of their real shapes as objects of utility, thus making it the real embodiment of their values. When they thus assume the shape of values, commodities strip off every trace of their natural and original use-value, and of the particular kind of useful labour to which they owe their creation, in order to pupate into the homogeneous social materialization of undifferentiated human labour. From the mere look of a piece of money, we cannot tell what breed of commodity has been transformed into it. In their money-form all commodities look alike. Hence money may be dirt, although dirt is not money. We will assume that the two golden coins in return for which our weaver has parted with his linen are the metamorphosed shape of a quarter of wheat. The sale of the linen, C–M, is at the same time its purchase, M–C. But this process, considered as the sale of the linen, starts off a move-

18. 'The price of one commodity can only be paid by the price of another commodity' (Mercier de la Rivière, *L'Ordre naturel et essentiel des sociétés politiques*, *Physiocrates*, ed. Daire, Part 2, p. 554).

19. 'In order to have this money, one must have made a sale' (ibid., p. 543).

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*Cf. *Grundrisse*, p. 196: 'Appropriation through and by means of divestiture [*Entäusserung*] and alienation [*Veräusserung*] is the fundamental condition of commodity circulation.'

ment which ends with its opposite: the purchase of a Bible. Considered as purchase of the linen, on the other hand, the process completes a movement which began with its opposite, the sale of the wheat. C–M (linen–money), which is the first phase of C–M–C (linen–money–Bible), is also M–C (money–linen), the last phase of another movement C–M–C (wheat–money–linen). The first metamorphosis of one commodity, its transformation from the commodity-form into money, is therefore also invariably the second, and diametrically opposite, metamorphosis of some other commodity, the retransformation of the latter from money into a commodity.[20]

M–C. The second or concluding metamorphosis of the commodity: purchase. Money is the absolutely alienable commodity, because it is all other commodities divested of their shape, the product of their universal alienation. It reads all prices backwards, and thus as it were mirrors itself in the bodies of all other commodities, which provide the material through which it can come into being as a commodity. At the same time the prices, those wooing glances cast at money by commodities, define the limit of its convertibility, namely its own quantity. Since every commodity disappears when it becomes money it is impossible to tell from the money itself how it got into the hands of its possessor, or what article has been changed into it. *Non olet*,* from whatever source it may come. If it represents, on the one hand, a commodity which has been sold, it also represents, on the other hand, a commodity which can be bought.[21]

M–C, a purchase, is at the same time C–M, a sale; the concluding metamorphosis of one commodity is the first metamorphosis of another. For our weaver, the life of his commodity ends with the Bible into which he has reconverted his £2. But suppose the seller of the Bible turns the £2 set free by the weaver into brandy. M–C, the concluding phase of C–M–C (linen–money–Bible), is also C–M, the first phase of C–M–C (Bible–money–

20. As remarked previously, the actual producer of gold or silver forms an exception. He exchanges his product without having first sold it.

21. 'If money represents, in our hands, the things we can wish to buy, it also represents the things we have sold for this money' (Mercier de la Rivière, op. cit., p. 586).

* 'It (money) has no smell.' This is alleged to have been the reply of the Roman Emperor Vespasian to his son Titus, when the latter reproached him for obtaining money by taxing the public lavatories.

brandy). Since the producer of the commodity offers only a single product, he often sells it in large quantities, whereas the fact that he has many needs compels him to split up the price realized, the sum of money set free, into numerous purchases. Hence a sale leads to many purchases of different commodities. The concluding metamorphosis of a commodity thus constitutes an aggregate of the first metamorphoses of other commodities.

If we now consider the completed metamorphosis of a commodity as a whole, it appears in the first place that it is made up of two opposite and complementary movements, C–M and M–C. These two antithetical transmutations of the commodity are accomplished through two antithetical social processes in which the commodity-owner takes part, and are reflected in the antithetical economic characteristics of the two processes. By taking part in the act of sale, the commodity-owner becomes a seller; in the act of purchase, he becomes a buyer. But just as, in every transmutation of a commodity, its two forms, the commodity-form and the money-form, exist simultaneously but at opposite poles, so every seller is confronted with a buyer, every buyer with a seller. While the same commodity is successively passing through the two inverted transmutations, from a commodity into money and from money into another commodity, the owner of the commodity successively changes his role from seller to buyer. Being a seller and being a buyer are therefore not fixed roles, but constantly attach themselves to different persons in the course of the circulation of commodities.

The complete metamorphosis of a commodity, in its simplest form, implies four *dénouements* and three *dramatis personae*. First, a commodity comes face to face with money; the latter is the form taken by the value of the former, and exists over there in someone else's pocket in all its hard, material reality. A commodity-owner is thus confronted with a money-owner. Now as soon as the commodity has been changed into money, the money becomes its vanishing equivalent-form, whose use-value or content exists here on the spot, in the bodies of other commodities. Money, the final stage of the first transformation, is at the same time the starting-point for the second. The person who is a seller in the first transaction thus becomes a buyer in the second, in which a third commodity-owner comes to meet him as a seller.[22]

22. 'There are accordingly . . . four final terms and three contracting parties, one of whom intervenes twice' (Le Trosne, op. cit., p. 909).

The two inverted phases of the movement which makes up the metamorphosis of a commodity constitute a circuit: commodity-form, stripping off of this form, and return to it. Of course, the commodity itself is here subject to contradictory determinations. At the starting-point it is a non-use-value to its owner; at the end it is a use-value. So too the money appears in the first phase as a solid crystal of value into which the commodity has been transformed, but afterwards it dissolves into the mere equivalent-form of the commodity.

The two metamorphoses which constitute the commodity's circular path are at the same time two inverse partial metamorphoses of two other commodities. One and the same commodity (the linen) opens the series of its own metamorphoses, and completes the metamorphosis of another (the wheat). In its first transformation, the sale, the linen plays these two parts in its own person. But then it goes the way of all flesh, enters the chrysalis state as gold, and thereby simultaneously completes the first metamorphosis of a third commodity. Hence the circuit made by one commodity in the course of its metamorphoses is inextricably entwined with the circuits of other commodities. This whole process constitutes the circulation of commodities.

The circulation of commodities differs from the direct exchange of products not only in form, but in its essence. We have only to consider the course of events. The weaver has undoubtedly exchanged his linen for a Bible, his own commodity for someone else's. But this phenomenon is only true for him. The Bible-pusher, who prefers a warming drink to cold sheets, had no intention of exchanging linen for his Bible; the weaver did not know that wheat had been exchanged for his linen. B's commodity replaces that of A, but A and B do not mutually exchange their commodities. It may in fact happen that A and B buy from each other, but a particular relationship of this kind is by no means the necessary result of the general conditions of the circulation of commodities. We see here, on the one hand, how the exchange of commodities breaks through all the individual and local limitations of the direct exchange of products, and develops the metabolic process of human labour. On the other hand, there develops a whole network of social connections of natural origin, entirely beyond the control of the human agents. Only because the farmer has sold his wheat is the weaver able to sell his linen, only because the weaver has sold his linen is our rash and intemperate friend able to sell his Bible, and only because the latter already has the water of everlasting life is the distiller able to sell his *eau-de-vie*. And so it goes on.

The process of circulation, therefore, unlike the direct exchange of products, does not disappear from view once the use-values have changed places and changed hands. The money does not vanish when it finally drops out of the series of metamorphoses undergone by a commodity. It always leaves behind a precipitate at a point in the arena of circulation vacated by the commodities. In the complete metamorphosis of the linen, for example, linen–money–Bible, the linen first falls out of circulation, and money steps into its place. Then the Bible falls out of circulation, and again money takes its place. When one commodity replaces another, the money commodity always sticks to the hands of some third person.[23] Circulation sweats money from every pore.

Nothing could be more foolish than the dogma that because every sale is a purchase, and every purchase a sale, the circulation of commodities necessarily implies an equilibrium between sales and purchases. If this means that the number of actual sales accomplished is equal to the number of purchases, it is a flat tautology. But its real intention is to show that every seller brings his own buyer to market with him. Sale and purchase are one identical act, considered as the alternating relation between two persons who are in polar opposition to each other, the commodity-owner and the money-owner. They constitute two acts, of polar and opposite character, considered as the transactions of one and the same person. Hence the identity of sale and purchase implies that the commodity is useless if, when it is thrown into the alchemist's retort of circulation, it does not come out again as money; if, in other words, it cannot be sold by its owner, and therefore bought by the owner of the money. This identity further implies that the process, if it reaches fruition, constitutes a point of rest, an interval, long or short, in the life of the commodity. Since the first metamorphosis of a commodity is at once a sale and a purchase, this partial process is at the same time an independent process in itself. The buyer has the commodity, the seller has the money, i.e. a commodity which remains in a form capable of circulating, whether it reappears on the market at an earlier or later date. No one can sell unless someone else purchases. But no one directly needs to

23. This phenomenon may be self-evident, but it is in most cases overlooked by political economists, especially by the average free-trader.

purchase because he has just sold. Circulation bursts through all the temporal, spatial and personal barriers imposed by the direct exchange of products, and it does this by splitting up the direct identity present in this case between the exchange of one's own product and the acquisition of someone else's into the two antithetical segments of sale and purchase. To say that these mutually independent and antithetical processes form an internal unity is to say also that their internal unity moves forward through external antitheses. These two processes lack internal independence because they complement each other. Hence, if the assertion of their external independence [*äusserliche Verselbständigung*] proceeds to a certain critical point, their unity violently makes itself felt by producing – a crisis. There is an antithesis, immanent in the commodity, between use-value and value, between private labour which must simultaneously manifest itself as directly social labour, and a particular concrete kind of labour which simultaneously counts as merely abstract universal labour, between the conversion of things into persons and the conversion of persons into things*; the antithetical phases of the metamorphosis of the commodity are the developed forms of motion of this immanent contradiction. These forms therefore imply the possibility of crises, though no more than the possibility. For the development of this possibility into a reality a whole series of conditions is required, which do not yet even exist from the standpoint of the simple circulation of commodities.[24]

24. See my observations on James Mill in *Zur Kritik etc.*, pp. 74–6 [English translation, pp. 96–8]. There are two points here which are characteristic of the method of the bourgeoisie's economic apologists. The first is the identification of the circulation of commodities with the direct exchange of products, achieved simply by abstracting from their differences. The second is the attempt to explain away the contradictions of the capitalist process of production by dissolving the relations between persons engaged in that process of production into the simple relations arising out of the circulation of commodities. The production and circulation of commodities are however phenomena which are to be found in the most diverse modes of production, even if they vary in extent and importance. If we are only familiar with the abstract categories of circulation, which are common to all of them, we cannot know anything of their *differentia specifica*, and we cannot therefore pronounce judgement on them. In no science other than political economy does there prevail such a combina-

*'*Personifizierung der Sachen und Versachlichung der Personen*'. More succinctly, 'Personification of things and reification of persons'.

(b) The Circulation of Money

The change of form through which the metabolism of the products of labour is accomplished, C–M–C, requires that a given value shall form the starting-point of the process, in the shape of a commodity, and that it shall return to the same point in the shape of a commodity. This movement of commodities is therefore a circuit. On the other hand, the form of this movement excludes money from the circuit. The result of the movement is not the return of the money, but its continued removal further and further away from its starting-point. As long as the seller sticks fast to his money, which is the transformed shape of his commodity, that commodity is still at the stage of the first metamorphosis, in other words it has completed only the first half of its circulatory course. Once the process of selling in order to buy is complete the money again leaves the hands of its original possessor. Of course, if the weaver, having bought the Bible, sells more linen, money comes back into his hands. But this return is not a result of the circulation of the first 20 yards of linen; that circulation rather removed money from the hands of the weaver and placed it in those of the Bible-pusher. The return of money to the weaver results only from the renewal or repetition of the same process of circulation with a fresh commodity, and it ends in the same way as the previous process. Hence the movement directly imparted to money by the circulation of commodities takes the form of a constant removal from its starting-point, a path followed from the hands of one commodity-owner into those of another. This path is its circulation (currency, *cours de la monnaie*).*

The circulation of money is the constant and monotonous re-

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tion of great self-importance with the mouthing of elementary commonplaces. For instance, J. B. Say sets himself up as a judge of crises because he knows that a commodity is a product.*

*'The conception adopted by Ricardo from the tedious Say, that over-production is not possible or at least that no general glut of the market is possible, is based on the proposition that products are exchanged against products' (*Theories of Surplus-Value*, Part 2, p. 493). In his *Traité d'économie politique*, Vol. 2, Paris, 1814, p. 382, Say writes: 'Products can only be bought with products.'

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*We have chosen to regard the words in parentheses as explanatory synonyms rather than suggested translations of the German word '*Umlauf*'. The use of the word 'currency' for 'circulation of money' was old-fashioned even in 1867.

petition of the same process. The commodity is always in the hands of the seller; the money, as a means of purchase, always in the hands of the buyer. And money serves as a means of purchase by realizing the price of the commodity. By doing this, it transfers the commodity from the seller to the buyer, and removes the money from the hands of the buyer into those of the seller, where it again goes through the same process with another commodity. That this one-sided form of motion of the money arises out of the two-sided form of motion of the commodity is a circumstance which is hidden from view. The very nature of the circulation of commodities produces a semblance of the opposite. The first metamorphosis of a commodity is visibly not only the money's movement, but also that of the commodity itself; in the second metamorphosis, on the contrary, the movement appears to us as the movement of the money alone. In the first phase of its circulation the commodity changes places with the money. Thereupon the commodity, in its shape as an object of utility, falls out of circulation into consumption.[25] Its value-shape or monetary larva steps into its shoes. It then passes through the second phase of its circulation, no longer in its own natural shape, but in its monetary shape. With this, the continuity of the movement depends entirely on the money, and the same movement which, for the commodity, includes two opposed processes, is, when considered as the movement of the money, always one and the same process, a constant change of places with commodities which are always different. Hence the result of the circulation of commodities, namely the replacement of one commodity by another, appears not to have been mediated by its own change of form, but rather by the function of money as means of circulation. As means of circulation, money circulates commodities, which in and for themselves lack the power of movement, and transfers them from hands in which they are non-use-values into hands in which they are use-values; and this process always takes the opposite direction to the path of the commodities themselves. Money constantly removes commodities from the sphere of circulation, by constantly stepping into their place in circulation, and in this way continually moving away from its own starting-point. Hence although the movement

25. Even when the commodity is sold over and over again, a situation we are not yet concerned with, it falls, when definitely sold for the last time, out of the sphere of circulation into that of consumption, where it serves either as means of subsistence or means of production.

of money is merely the expression of the circulation of commodities, the situation appears to be the reverse of this, namely the circulation of commodities seems to be the result of the movement of money.[26]

Again, money functions as a means of circulation only because in it the value possessed by commodities has taken on an independent shape. Hence its movement, as the medium of circulation, is in fact merely the movement undergone by commodities while changing their form. This fact must therefore make itself plainly visible in the circulation of money. (Thus the linen, for instance, first of all changes its commodity-form into its money-form. The final term of its first metamorphosis C–M, the money-form, then becomes the first term of its final metamorphosis M–C, its transformation back into the shape of the Bible. But each of these two changes of form is accomplished by an exchange between commodity and money, by their reciprocal displacement. The same pieces of coin come into the seller's hand as the alienated form of the commodity and leave it as the commodity in its absolutely alienable form. They are displaced twice. The first metamorphosis of the linen puts these coins into the weaver's pocket, the second draws them out of it. The two opposite changes undergone by the same commodity are reflected in the displacement, twice repeated but in opposite directions, of the same pieces of coin.

If however only a one-sided metamorphosis takes place, if there are only sales or only purchases, then a given piece of money changes its place only once. Its second change of place always expresses the second metamorphosis of the commodity, its reconversion from money. The frequently repeated displacement of the same coins reflects not only the series of metamorphoses undergone by a single commodity, but also the mutual entanglement of the innumerable metamorphoses in the whole world of commodities.)* It is in any case evident that all this is valid only for the simple circulation of commodities, the form we are considering here.

Every commodity, when it first steps into circulation and under-

26. 'It [money] has no other motion than that with which it is endowed by the products' (Le Trosne, op. cit., p. 885).

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*The passage in parentheses is an expanded version of Marx's original argument, inserted by Engels into the fourth German edition.

goes its first change of form, does so only to fall out of circulation once more and be replaced again and again by fresh commodities. Money, on the contrary, as the medium of circulation, haunts the sphere of circulation and constantly moves around within it. The question therefore arises of how much money this sphere continuously absorbs.

In a given country there take place every day at the same time, though in different places, numerous one-sided metamorphoses of commodities; in other words, simple sales on one hand, simple purchases on the other. In their prices, the commodities have already been equated with definite but imaginary quantities of money. And since, in the direct form of circulation being considered here, money and commodities always come into physical confrontation with each other, one at the positive pole of purchase, the other at the negative pole of sale, it is clear that the amount of means of circulation required is determined beforehand by the sum of the prices of all these commodities. As a matter of fact, the money is only the representation in real life of the quantity of gold previously expressed in the imagination by the sum of the prices of the commodities. It is therefore self-evident that these two quantities are equal. We know however that, the values of commodities remaining constant, their prices vary with the value of gold (the material of money), rising in proportion as it falls, and falling in proportion as it rises. Given that the sum of the prices of commodities falls or rises in this way, it follows that the quantity of money in circulation must fall or rise to the same extent. This change in the quantity of the circulating medium is certainly caused by the money itself, yet not in virtue of its function as a medium of circulation, but rather in virtue of its function as a measure of value. First the price of the commodities varies inversely as the value of the money, and then the quantity of the medium of circulation varies directly as the price of the commodities. Exactly the same phenomenon would arise if, for instance, instead of the value of gold falling, silver were to replace it as the measure of value, or if, instead of the value of silver rising, it were to be driven out of its function as measure of value by gold. In the one case, more silver would be in circulation than there was previously gold, and in the other case, less gold would be in circulation than there was previously silver. In each case the value of the money material, i.e. the value of the commodity serving as the measure of value, would have undergone a change, and so too, therefore, would the prices of commodities which express their values in money, as well as the quantity of money which would need to be in circulation to realize those prices. We have already seen that the sphere of circulation has a gap in it, through which gold (or silver, or the money material in general) enters as a commodity with a given value. Hence, when money begins to function as a measure of value, when it is used to determine prices, its value is presupposed. If that value falls, the fall first shows itself in a change in the prices of those commodities which are directly exchanged with the precious metals at their source. The greater part of all other commodities, especially at the less developed stages of bourgeois society, will continue for a long time to be estimated in terms of the former value of the measure of value, which has now become antiquated and illusory. Nevertheless, one commodity infects another through their common value-relation, so that their prices, expressed in gold or silver, gradually settle down into the proportions determined by their comparative values, until finally the values of all commodities are estimated in terms of the new value of the monetary metal. This process of equalization is accompanied by a continued increase in the quantity of the precious metals, owing to the influx needed to replace the commodities directly exchanged with them. In proportion therefore as the adjusted prices of the commodities become universal, in proportion as their values come to be estimated according to the new value of the metal (which has fallen and may, up to a certain point, continue to fall), in that same proportion does the increased mass of metal which is necessary for the realization of the new prices become available. A one-sided observation of the events which followed the discovery of fresh supplies of gold and silver led some people in the seventeenth and more particularly in the eighteenth century to the false conclusion that the prices of commodities had risen because there was more gold and silver acting as the means of circulation. Henceforth we shall assume the value of gold as a given factor, as in fact it is if we take it at the moment when we estimate the price of a commodity.

On this assumption, then, the quantity of the medium of circulation is determined by the sum of the prices to be realized. If we now further assume that the price of each commodity is given, the sum of the prices clearly depends on the total amount of commodities found in circulation. We do not need to rack our brains to grasp that if our quarter of wheat costs £2, 100 quarters will cost

£200, 200 quarters £400, and so on, and therefore that the quantity of money which changes places with the wheat, when it is sold, must increase as the quantity of the wheat increases.

If the mass of commodities remains constant, the quantity of money in circulation surges up or down according to the fluctuations in the prices of the commodities. It rises and falls because the sum of the prices increases or diminishes as a result of the change of price. For this it is by no means necessary that the prices of all commodities should rise or fall simultaneously. A rise or a fall in the prices of a number of leading articles is sufficient in the one case to increase, in the other to diminish, the sum of the prices of all commodities, and therefore to put more or less money in circulation. Whether the change in the price reflects an actual change in the value of the commodities, or merely fluctuations in their market prices, the effect on the quantity of the medium of circulation remains the same.

Let us assume that there occur a number of unconnected and simultaneous sales, or partial metamorphoses, in different localities; sales of, say, 1 quarter of wheat, 20 yards of linen, 1 Bible and 4 gallons of brandy. If the price of each article is £2, and the sum of the prices to be realized is consequently £8, it follows that £8 in money must enter into circulation. If, on the other hand, these same articles are links in the following chain of metamorphoses: 1 quarter of wheat – £2 – 20 yards of linen – £2 – 1 Bible – £2 – 4 gallons of brandy – £2, a chain which is already well known to us, in that case the £2 causes the different commodities to circulate after realizing their prices successively, and therefore realizing the sum of those prices, which is £8, the £2 finally comes to rest in the hands of the distiller. The £2 has turned over four times. It has performed four acts of circulation. This repeated change of place of the same pieces of money corresponds to the double change of form undergone by the commodities, it corresponds to their movement through two diametrically opposed stages of circulation, and the intertwining of the metamorphoses of different commodities.[27] These antithetical and mutually complementary phases, through which the process passes, cannot take place alongside each other. They must follow in temporal succession. It is segments of time

27. 'It is products which set it' (money) 'in motion and make it circulate... The velocity of its' (money's) 'motion supplements its quantity. When necessary, it does nothing but slide from hand to hand, without stopping for a moment' (Le Trosne, op. cit., pp. 915–16).

therefore which form the measure of the duration of the process, in other words, the velocity of the circulation of money is measured by the number of times the same piece of money turns over within a given period. Suppose the process of circulation of the four articles takes a day. The sum of prices to be realized is £8, the number of times the £2 turns over during the day is four, and the quantity of money in circulation is £2. Hence, for a given interval of time during the process of circulation, we have the following equation: the quantity of money functioning as the circulating medium = the sum of the prices of the commodities divided by the number of times coins of the same denomination turn over. This law holds generally. The process of circulation in a given country is made up, on the one hand, of numerous isolated and simultaneous partial metamorphoses, sales (and purchases) running parallel to each other in which each coin changes its position only once, or performs only one act of circulation; on the other hand, it is made up of many distinct series of metamorphoses, partly running parallel, partly coalescing with each other, and in each of these series each coin turns over a number of times. How often each coin turns over varies according to the circumstances. Given the total number of times all the circulating coins of one denomination turn over, we can arrive at the average number of times a single coin turns over, or, in other words, the average velocity of circulation of money. The quantity of money thrown into the process of circulation at the beginning of each day is of course determined by the sum of the prices of all the commodities circulating simultaneously and side by side. But within that process coins are, so to speak, made responsible for each other. If one increases its velocity of circulation, the other slows down or completely leaves the sphere of circulation. This is because the sphere of circulation can absorb only the amount of gold which, multiplied by the average number of times its basic unit turns over, is equal to the sum of prices to be realized. Hence, if the number of acts of circulation performed by the separate pieces increases, the total number of those pieces in circulation diminishes. If the number of acts of circulation diminishes, the total number of pieces increases. Since the quantity of money which can function as means of circulation is fixed for a given average velocity of circulation, one has only to throw a given quantity of £1 notes into circulation in order to extract the same number of sovereigns from it. This trick is well known to all banks.

Just as the circulation of money is in general merely a reflection of the process of circulation of commodities, i.e. their circular path through diametrically opposed metamorphoses, so too the velocity of circulation of money is merely a reflection of the rapidity with which commodities change their forms, the continuous interlocking of the series of metamorphoses, the hurried nature of society's metabolic process, the quick disappearance of commodities from the sphere of circulation, and their equally quick replacement by fresh commodities. In the velocity of circulation, therefore, there appears the fluid unity of the antithetical and complementary phases, i.e. the transformation of the commodities from the form of utility into the form of value and their re-transformation in the reverse direction, or the two processes of sale and purchase. Inversely, when the circulation of money slows down, the two processes become separated, they assert their independence and mutual antagonism; stagnation occurs in the changes of form, and hence in the metabolic process. The circulation itself, of course, gives no clue to the origin of this stagnation; it merely presents us with the phenomenon. Popular opinion is naturally inclined to attribute this phenomenon to a quantitative deficiency in the circulating medium, since it sees money appear and disappear less frequently at all points on the periphery of circulation, in proportion as the circulation of money slows down.[28]

The total quantity of money functioning during a given period as the circulating medium is determined on the one hand by the sum of the prices of the commodities in circulation, and on the other hand by the rapidity of alternation of the antithetical pro-

28. 'Money being ... the common measure of buying and selling, every body who hath anything to sell, and cannot procure chapmen for it, is presently apt to think, that want of money in the kingdom, or country, is the cause why his goods do not go off; and so, want of money is the common cry; which is a great mistake ... What do these people want, who cry out for money? ... The farmer complains ... he thinks that were more money in the country, he would have a price for his goods. Then it seems money is not his want, but a price for his corn and cattel, which he would sell, but cannot ... Why cannot he get a price? ... (1) Either there is too much corn and cattel in the country, so that most who come to market have need of selling, as he hath, and few of buying; or (2) there wants the usual vent abroad by transportation ... ; or (3) the consumption fails, as when men, by reason of poverty, do not spend so much in their houses as formerly they did; wherefore it is not the increase of specific money, which would at all advance the farmer's goods, but the removal of any of these three causes, which do truly keep down the market ... The merchant and shopkeeper want money in the same manner, that is, they want a vent for the goods they deal in, by reason that the markets fail ... [A nation]

cesses of circulation. The proportion of the sum of the prices which can on average be realized by each single coin depends on this rapidity of alternation. But the sum of the prices of the commodities depends on the quantity, as well as on the price, of each kind of commodity. These three factors, the movement of prices, the quantity of commodities in circulation, and the velocity of circulation of money, can all vary in various directions under different conditions. Hence the sum of the prices to be realized, and consequently the quantity of the circulating medium conditioned by that sum, will vary with the very numerous variations of the three factors in combination. Here we shall outline only the most important variations in the history of commodity prices.

While prices remain constant, the quantity of the circulating medium may increase owing to an increase in the number of commodities in circulation, or a decrease in the velocity of circulation of money, or a combination of the two. On the other hand, the quantity of the circulating medium may decrease with a decreasing number of commodities, or with an increasing rapidity of circulation.

With a general rise in the prices of commodities, the quantity of the circulating medium will remain constant, if the number of commodities in circulation decreases proportionally to the increase in their prices, or if the velocity of monetary circulation increases at the same rate as prices rise, the number of commodities in circulation remaining constant. The quantity of the circulating medium may decrease, owing to a more rapid decrease in the number of commodities, or to a more rapid increase in the velocity of monetary circulation, in comparison with the fall in the prices of commodities.

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never thrives better, than when riches are tost from hand to hand' (Sir Dudley North, *Discourses upon Trade*, London, 1691, pp. 11–15 passim). Herrenschwand's fanciful notions* amount merely to this, that the contradictions which arise from the nature of commodities, and therefore come to the surface in their circulation, can be removed by increasing the amount of the medium of circulation. It should be mentioned in passing that it by no means follows, from the fact that the popular ascription of stagnation in the processes of production and circulation to an insufficiency of the circulating medium is a delusion, that an actual shortage of the circulating medium resulting from, say, bungling government interference with the 'regulation of currency' may not for its part give rise to stagnation.

*Jean Herrenschwand (1728–1812), Swiss economist, author of *De l'économie politique moderne*, London, 1786, and *De l'économie politique et morale de l'espèce humaine*, London, 1796.

With a general fall in the prices of commodities, the quantity of the circulating medium will remain constant, if the number of commodities increases proportionally to their fall in price, or if the velocity of monetary circulation decreases in the same proportion. The quantity of the circulating medium will increase, if the number of commodities increases more quickly, or the rapidity of circulation decreases more quickly, than the prices fall.

The variations of the different factors may be mutually compensatory, so that notwithstanding their continued instability, the sum of the prices to be realized and the quantity of money in circulation remains constant; consequently, we find, especially if we take long periods into consideration, that the quantity of money in circulation in each country diverges far less from its average level than we should at first sight have expected, with the exception of the violent perturbations which arise periodically, either from crises in production and commerce, or, more rarely, from changes in the value of money itself.

The law that the quantity of the circulating medium is determined by the sum of the prices of the commodities in circulation, and the average velocity of the circulation of money,[29] may also be stated as follows: given the sum of the values of commodities, and the average rapidity of their metamorphoses, the quantity of money or of the material of money in circulation depends on its

29. 'There is a certain measure and proportion of money requisite to drive the trade of a nation, more or less than which would prejudice the same. Just as there is a certain proportion of farthings necessary in a small retail trade, to change silver money, and to even such reckonings as cannot be adjusted with the smallest silver pieces ... Now, as the proportion of the number of farthings requisite in commerce is to be taken from the number of people, the frequency of their exchanges: as also, and principally, from the value of the smallest silver pieces of money; so in like manner, the proportion of money (gold and silver specie) requisite in our trade, is to be likewise taken from the frequency of commutations, and from the bigness of the payments' (William Petty, *A Treatise of Taxes and Contributions*, London, 1667, p. 17). Hume's theory* was defended against the attacks of J. Steuart and others by A. Young, in his *Political Arithmetic*, London, 1774, where there is a special chapter on this, entitled 'Prices Depend on Quantity of Money', pp. 112 ff. I stated in *Zur Kritik etc.*, p. 149 [English edition, p. 168], 'He' (Adam Smith) 'quietly eliminates the question about the amount of coin in circulation

*Hume's theory, first advanced in *Essays Moral, Political, and Literary*, Part II, London, 1752, was that the prices of commodities depend on the amount of money in circulation, rather than the amount of money in circulation depending on the prices of commodities. It is criticized in detail in *A Contribution to the Critique of Political Economy*, pp. 160–64.

own value. The illusion that it is, on the contrary, prices which are determined by the quantity of the circulating medium, and that the latter for its part depends on the amount of monetary material which happens to be present in a country,[30] had its roots in the absurd hypothesis adopted by the original representatives of this view that commodities enter into the process of circulation without a price, and money enters without a value, and that, once they have entered circulation, an aliquot part of the medley of commodities is exchanged for an aliquot part of the heap of precious metals.[31]

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by quite improperly regarding money as a simple commodity.' This is only true in so far as Adam Smith treats of money while developing his own theories. Occasionally, however, for example in criticizing earlier systems of political economy, he takes the correct view: 'The quantity of coin in every country is regulated by the value of the commodities which are to be circulated by it ... The value of the goods annually bought and sold in any country requires a certain quantity of money to circulate and distribute them to their proper consumers, and can give employment to no more. The channel of circulation necessarily draws to itself a sum sufficient to fill it, and never admits any more' (*Wealth of Nations*, Bk IV, Ch. 1). In similar fashion Smith begins his work in the official manner with an apotheosis of the division of labour. Later on, in the last book, on the sources of the public revenue,* he occasionally reproduces the denunciations of the division of labour made by his teacher, A. Ferguson.†

30. 'The prices of things will certainly rise in every nation, as the gold and silver increase amongst the people; and consequently, where the gold and silver decrease in any nation, the prices of all things must fall proportionately to such decrease of money' (Jacob Vanderlint, *Money Answers All Things*, London, 1734, p. 5). A close comparison of this book with Hume's *Essays* leaves not the slightest doubt in my mind that Hume knew and used Vanderlint's work, which is certainly an important one. The opinion that prices are determined by the quantity of the circulating medium was also held by Barbon and other much earlier writers. 'No inconvenience,' says Vanderlint, 'can arise by an unrestrained trade, but very great advantage; since, if the cash of the nation be decreased by it, which prohibitions are designed to prevent, those nations that get the cash will certainly find everything advance in price, as the cash increases amongst them. And ... our manufactures, and everything else, will soon become so moderate as to turn the balance of trade in our favour, and thereby fetch the money back again' (op. cit., pp. 43, 44).

31. That each single kind of commodity, through its price, forms an element in the sum of the prices of all the commodities in circulation, is self-evident. But how mutually incommensurable use-values are to be exchanged, *en masse*,

*Bk V, Ch. 2, of the *Wealth of Nations* is entitled 'Of the Sources of the General or Public Revenue of the Society'.

†For Adam Ferguson's denunciation of the division of labour, see below, p. 474.

(c) Coin. The Symbol of Value

Money takes the shape of coin because of its function as the circulating medium. The weight of gold represented in the imagination by the prices or money-names of the commodities has to confront those commodities, within circulation, as coins or pieces of gold of the same denomination. The business of coining, like

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for the total sum of gold or silver in a country is quite incomprehensible. If we can perform the swindle of converting the world of commodities into one single total commodity, of which each commodity is merely an aliquot part, we arrive at this beautiful calculation: the total commodity = x cwt of gold; commodity A = an aliquot part of the total commodity = the same aliquot part of x cwt of gold. This is stated in all seriousness by Montesquieu: 'If one compares the amount of gold and silver in the world with the sum of the commodities available, it is certain that each product or commodity, taken in isolation, could be compared with a certain portion of the total amount of money. Let us suppose that there is only one product, or commodity, in the world, or only one that can be purchased, and that it can be divided in the same way as money: a certain part of this commodity would then correspond to a part of the total amount of money; half the total of the one would correspond to half the total of the other, etc.... the determination of the prices of things always depends, fundamentally, on the relation between the total amount of things and the total amount of their monetary symbols' (Montesquieu, op. cit., Vol. 3, pp. 12, 13). As to the further development of this theory by Ricardo and his disciples, James Mill, Lord Overstone and others, see *Zur Kritik, etc.*, pp. 140–46, and pp. 150 ff. [English edition, pp. 179–85 and 169–77]. John Stuart Mill, with his usual eclectic logic, understands how to hold at the same time the view of his father, James Mill, and the opposite view. When we compare the text of his compendium *Principles of Political Economy* with the Preface to the first edition, where he announces himself as the Adam Smith of his day, we do not know what we should be most astonished at, the naïveté of the man or that of the public which accepted him in good faith as the new Adam Smith, for he bears about as much resemblance to Adam Smith as General Williams 'of Kars'* does to the Duke of Wellington. The original researches of Mr J. S. Mill in the domain of political economy, which are neither extensive nor profound, will all be found drawn up in neat and disciplined columns in his little pamphlet *Some Unsettled Questions of Political Economy*, which appeared in 1844. Locke expressly asserts that there is a connection between the absence of value in gold and silver, and the determination of their value by their quantity. 'Mankind having consented to put an imaginary value upon gold and silver ... the intrinsick value, regarded in these metals, is nothing but the quantity' (*Some Considerations, etc.*, 1691, in *Works*, ed. 1777, Vol. 2, p. 15).

*Colonel Fenwick Williams (1800–83) was a British commissioner in charge of Turkish troops defending the fortress of Kars, in Armenia, in 1855, during the Crimean War. The fortress fell to the Russians in November 1855, but Williams was made a General and a baronet for his defence of it.

the establishing of a standard measure of prices, is an attribute proper to the state. The different national uniforms worn at home by gold and silver as coins, but taken off again when they appear on the world market, demonstrate the separation between the internal or national spheres of commodity circulation and its universal sphere, the world market.

The only difference, therefore, between coin and bullion lies in their physical configuration, and gold can at any time pass from one form to the other.[32] For a coin, the road from the mint is also the path to the melting pot. In the course of circulation, coins wear down, some to a greater extent, some to a lesser. The denomination of the gold and its substance, the nominal content and the real content, begin to move apart. Coins of the same denomination become different in value, because they are different in weight. The weight of gold fixed upon as the standard of prices diverges from the weight which serves as the circulating medium, and the latter thereby ceases to be a real equivalent of the commodities whose prices it realizes. The history of these difficulties constitutes the history of the coinage throughout the Middle Ages and in modern times down to the eighteenth century. The natural and spontaneous tendency of the process of circulation to transform the coin from its metallic existence as gold into the semblance of gold, or to transform the coin into a symbol of its official metallic content, is itself recognized by the most recent laws on the degree of metal loss which demonetizes a gold coin, i.e. renders it incapable of being circulated.

The fact that the circulation of money itself splits the nominal

32. It lies of course entirely beyond my purpose to deal with such details as the seigniorage on minting. I will however cite against the romantic sycophant Adam Müller, who admires the 'magnificent liberality' with which 'the English government coins for nothing',* the following opinion of Sir Dudley North: 'Silver and gold, like other commodities, have their ebbings and flowings. Upon the arrival of quantities from Spain . . . it is carried into the Tower, and coined. Not long after there will come a demand for bullion to be exported again. If there is none, but all happens to be in coin, what then? Melt it down again; there's no loss in it, for the coining costs the owner nothing. Thus the nation has been abused, and made to pay for the twisting of straw for asses to eat. If the merchant' (North was himself one of the biggest merchants at the time of Charles II) 'were made to pay the price of the coinage, he would not have sent his silver to the Tower without consideration; and coined money would always keep a value above uncoined silver' (North, op. cit., p. 18).

*A. H. Müller, *Die Elemente der Staatskunst*, Part 2, Berlin, 1809, p. 280.

content of coins away from their real content, dividing their metallic existence from their functional existence, this fact implies the latent possibility of replacing metallic money with tokens made of some other material, i.e. symbols which would perform the function of coins. The technical obstacles to coining extremely minute quantities of gold or silver, and the circumstance that at first the less precious metal is used as a measure of value instead of the more precious, copper instead of silver, silver instead of gold, and that the less precious circulates as money until dethroned by the more precious – these facts provide a historical explanation for the role played by silver and copper tokens as substitutes for gold coins. Silver and copper coins replace gold in those regions of the circulation of commodities where coins pass from hand to hand most rapidly, and are therefore worn out most quickly. This happens where sales and purchases on a very small scale recur unceasingly. In order to prevent these satellites from establishing themselves permanently in the place of gold, the law determines the very minute proportions in which alone they can be accepted as alternative payment. The particular tracks pursued by the different sorts of coin in circulation naturally run into each other. Small change appears alongside gold for the payment of fractional parts of the smallest gold coin; gold constantly enters into retail circulation, although it is just as constantly being thrown out again by being exchanged with small change.[33]

The metallic content of silver and copper tokens is arbitrarily determined by law. In the course of circulation they wear down even more rapidly than gold coins. Their function as coins is therefore in practice entirely independent of their weight, i.e. it is independent of all value. In its form of existence as coin, gold becomes completely divorced from the substance of its value. Relatively valueless objects, therefore, such as paper notes, can serve as

33. 'If silver never exceed what is wanted for the smaller payments, it cannot be collected in sufficient quantities for the larger payments ... the use of gold in the main payments necessarily implies also its use in the retail trade: those who have gold coins offering them for small purchases, and receiving with the commodity purchased a balance of silver in return; by which means the surplus of silver that would otherwise encumber the retail dealer is drawn off and dispersed into general circulation. But if there is as much silver as will transact the small payments independent of gold, the retail trader must then receive silver for small purchases; and it must of necessity accumulate in his hands' (David Buchanan, *Inquiry into the Taxation and Commercial Policy of Great Britain*, Edinburgh, 1844, pp. 248–9).

coins in place of gold. This purely symbolic character of the currency is still somewhat disguised in the case of metal tokens. In paper money it stands out plainly. But we can see: everything depends on the first step.

Here we are concerned only with inconvertible paper money issued by the state and given forced currency. This money emerges directly out of the circulation of metallic money. Credit-money on the other hand implies relations which are as yet totally unknown, from the standpoint of the simple circulation of commodities. But it may be noted in passing that just as true paper money arises out of the function of money as the circulating medium, so does credit-money take root spontaneously in the function of money as the means of payment.[34]

Pieces of paper on which money-names are printed, such as £1, £5, etc., are thrown into the circulation process from outside by the state. In so far as they actually circulate in place of the same amount of gold, their movement is simply a reflection of the laws of monetary circulation itself. A law peculiar to the circulation of paper money can only spring up from the proportion in which that paper money represents gold. In simple terms the law referred to is as follows: the issue of paper money must be restricted to the quantity of gold (or silver) which would actually be in circulation, and which is represented symbolically by the paper money. Now it is true that the quantity of gold which can be absorbed by the sphere of circulation constantly fluctuates above and below a certain average level. But despite this, the mass of the circulating

34. The financial mandarin Wan Mao-in took it into his head one day to lay before the Son of Heaven a proposal which had the secret purpose of transforming the *assignats* of the Chinese Empire into convertible banknotes. The Committee on the *assignats*, in its report of April 1854, severely rebuked him for this. Whether he also received the traditional thrashing with bamboo-sticks is not stated. The concluding part of the report is as follows: 'The Committee has carefully examined his proposal and finds that it is entirely in the interests of the merchants, and in no respect advantageous to the Crown' (*Arbeiten der Kaiserlich Russischen Gesandschaft zu Peking über China*, aus dem Russischen von Dr K. Abel und F. A. Mecklenburg, Erster Band, Berlin, 1858, p. 54). In his evidence before the Committee of the House of Lords on the Bank Acts, a governor of the Bank of England says, with regard to the abrasion of gold coins in the course of their circulation: 'Every year a fresh class of sovereigns' (this is not a political statement, for 'sovereign' is a name for the pound sterling) 'becomes too light. The class which one year passes with full weight, loses enough by wear and tear to draw the scales next year against it' (House of Lords Committee, 1848, n. 429).

medium in a given country never sinks below a certain minimum, which can be ascertained by experience. The fact that this minimum mass continually undergoes changes in its constituent parts, or that the pieces of gold of which it consists are constantly being replaced by other pieces, naturally causes no change either in its amount or in the continuity with which it flows around the sphere of circulation. It can therefore be replaced by paper symbols. If however all the channels of circulation were today filled with paper money to the full extent of their capacity for absorbing money, they might the next day be over-full owing to the fluctuations in the circulation of commodities. There would no longer be any standard. If the paper money exceeds its proper limit, i.e. the amount in gold coins of the same denomination which could have been in circulation, then, quite apart from the danger of becoming universally discredited, it will still represent within the world of commodities only that quantity of gold which is fixed by its immanent laws. No greater quantity is capable of being represented. If the quantity of paper money represents twice the amount of gold available, then in practice £1 will be the money-name not of $\frac{1}{4}$ of an ounce of gold, but $\frac{1}{8}$ of an ounce. The effect is the same as if an alteration had taken place in the function of gold as the standard of prices. The values previously expressed by the price of £1 would now be expressed by the price of £2.

Paper money is a symbol of gold, a symbol of money. Its relation to the values of commodities consists only in this: they find imaginary expression in certain quantities of gold, and the same quantities are symbolically and physically represented by the paper. Only in so far as paper money represents gold, which like all other commodities has value, is it a symbol of value.[35]

Finally, one may ask why gold is capable of being replaced by

35. The following passage from Fullarton shows how unclear even the best writers on money are about its different functions: 'That, as far as concerns our domestic exchanges, all the monetary functions which are usually performed by gold and silver coins, may be performed as effectually by a circulation of inconvertible notes, having no value but that factitious and conventional value . . . they derive from the law, is a fact which admits, I conceive, of no denial. Value of this description may be made to answer all the purposes of intrinsic value, and supersede even the necessity for a standard, provided only the quantity of issues be kept under due limitation' (Fullarton, *Regulation of Currencies*, 2nd edn, London, 1845, p. 21). In other words, because the money commodity is capable of being replaced in circulation by mere symbols of value, it is superfluous as a measure of value and a standard of prices!

valueless symbols of itself. As we have already seen, it is capable of being replaced in this way only if its function as coin or circulating medium can be singled out or rendered independent. Now this function of being the circulating medium does not attain an independent position as far as the individual gold coins are concerned, although that independent position does appear in the case of the continued circulation of abraded coins. A piece of money is a mere coin, or means of circulation, only as long as it is actually in circulation. But what is not valid for the individual gold coin is valid for that minimum mass of gold which is capable of being replaced by paper money. That mass constantly haunts the sphere of circulation, continually functions as a circulating medium, and therefore exists exclusively as the bearer of this function. Its movement therefore represents nothing but the continued alternation of the inverse phases of the metamorphosis C–M–C, phases in which the commodity's shape as a value confronts it only to disappear again immediately. The presentation of the exchange-value of a commodity as an independent entity is here only a transient aspect of the process. The commodity is immediately replaced again by another commodity. Hence in this process which continually makes money pass from hand to hand, it only needs to lead a symbolic existence. Its functional existence so to speak absorbs its material existence. Since it is a transiently objectified reflection of the prices of commodities, it serves only as a symbol of itself, and can therefore be replaced by another symbol.[36] One thing is necessary, however: the symbol of money must have its own objective social validity. The paper acquires this by its forced currency. The state's compulsion can only be of any effect within that internal sphere of circulation which is circumscribed by the boundaries of a given community, but it is also only within that sphere that money is completely absorbed in its function as medium of circulation, and is therefore able to receive, in the form of paper

36. From the fact that gold and silver themselves become their own symbols, in so far as they are coins, i.e. exclusively have the function of the medium of circulation, Nicholas Barbon deduces the right of governments 'to raise money', i.e. to give to the quantity of silver called a shilling the name of a greater quantity, such as a crown, and so to pay back shillings to creditors instead of crowns. 'Money does wear and grow lighter by often telling over ... It is the denomination and currency of the money that men regard in bargaining, and not the quantity of silver ... 'Tis the public authority upon the metal that makes it money' (N. Barbon, op. cit., p. 29, 30, 25).

money, a purely functional mode of existence in which it is externally separated from its metallic substance.

3. MONEY

The commodity which functions as a measure of value and therefore also as the medium of circulation, either in its own body or through a representative, is money. Gold (or silver) is therefore money. It functions as money, on the one hand, when it has to appear in person as gold. It is then the money commodity, neither merely ideal, as when it is the measure of value, nor capable of being represented, as when it is the medium of circulation. On the other hand, it also functions as money when its function, whether performed in person or by a representative, causes it to be fixed as the sole form of value, or, in other words, as the only adequate form of existence of exchange value in the face of all the other commodities, here playing the role of use-values pure and simple.

(a) Hoarding

The continuous circular movement of the two antithetical metamorphoses of commodities, or the repeated alternating flow of sale and purchase, is reflected in the unceasing turnover of money, in the function it performs of a *perpetuum mobile* of circulation. But as soon as the series of metamorphoses is interrupted, as soon as sales are not supplemented by subsequent purchases, money is immobilized. In other words, it is transformed, as Boisguillebert says, from '*meuble*' into '*immeuble*',* from coin into money.

When the circulation of commodities first develops, there also develops the necessity and the passionate desire to hold fast to the product of the first metamorphosis. This product is the transformed shape of the commodity, or its gold chrysalis.[37] Commodities are thus sold not in order to buy commodities, but in

37. 'Monetary wealth is nothing but ... wealth in products, transformed into money' (Mercier de la Rivière, op. cit., p. 573). 'A value in the form of a product has merely changed its form' (ibid., p. 486).

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* From movable into immovable. (Boisguillebert, *Le Détail de la France*, in *Économistes financiers du XVIIIe siècle*, ed. E. Daire, Paris, 1843, p. 213.)

order to replace their commodity-form by their money-form. Instead of being merely a way of mediating the metabolic process [*Stoffwechsel*], this change of form becomes an end in itself. The form of the commodity in which it is divested of content is prevented from functioning as its absolutely alienable form, or even as its merely transient money-form. The money is petrified into a hoard, and the seller of commodities becomes a hoarder of money.

In the very beginnings of the circulation of commodities, it is only the excess amounts of use-value which are converted into money. Gold and silver thus become of themselves social expressions for superfluity or wealth. This naïve form of hoarding is perpetuated among those peoples whose traditional mode of production, aimed at fulfilling their own requirements, corresponds to a fixed and limited range of needs. This is true of the Asiatics, particularly the Indians. Vanderlint, who imagines that the prices of commodities in a country are determined by the quantity of gold and silver to be found in it, asks himself why Indian commodities are so cheap. Answer: because the Indians bury their money. From 1602 to 1734, he remarks, they buried 150 million pounds worth of silver, which originally came from America to Europe.[38] From 1856 to 1866, in other words in ten years, England exported to India (and China, but most of the metal exported to China flows back again to India) £120,000,000 in silver, which had been received in exchange for Australian gold.

With more developed commodity production, every producer is compelled to secure for himself the *nexus rerum*,* the 'social pledge'.[39] His needs are ceaselessly renewed, and necessitate the continual purchase of other people's commodities, whereas the production and sale of his own commodity costs time and is subject to various accidents. In order then to be able to buy without selling, he must have sold previously without buying. This operation, conducted on a general scale, seems to involve a self-contradiction. But at the sources of their production the precious metals are directly exchanged for other commodities. And here we have sales (by the owners of commodities) without purchases (by

38. ''Tis by this practice they keep all their goods and manufactures at such low rates' (Vanderlint, op. cit., pp. 95–6).

39. 'Money . . . is a pledge' (John Bellers, *Essays about the Poor, Manufactures, Trade, Plantations, and Immorality*, London, 1699, p. 13)

* In Roman law, the obligation of the debtor to the creditor.

the owners of gold or silver).[40] And later sales, again without subsequent purchases, merely bring about a further distribution of the precious metals among all the owners of commodities. In this way, hoards of gold and silver of the most various sizes are piled up at all the points of commercial intercourse. With the possibility of keeping hold of the commodity as exchange-value, or exchange-value as a commodity, the lust for gold awakens. With the extension of commodity circulation there is an increase in the power of money, that absolutely social form of wealth which is always ready to be used. 'Gold is a wonderful thing! Its owner is master of all he desires. Gold can even enable souls to enter Paradise' (Columbus, in his letter from Jamaica, 1503). Since money does not reveal what has been transformed into it, everything, commodity or not, is convertible into money. Everything becomes saleable and purchaseable. Circulation becomes the great social retort into which everything is thrown, to come out again as the money crystal. Nothing is immune from this alchemy, the bones of the saints cannot withstand it, let alone more delicate *res sacrosanctae, extra commercium hominum*.*[41] Just as in money every qualitative difference between commodities is extinguished, so too for its part, as a radical leveller, it extinguishes all distinctions.[42] But money is itself a commodity, an external object

40. A purchase, in the strict sense, implies that gold and silver are already the transformed shape of commodities, in other words the product of a sale.

41. Henry III, *roi très chrétien*,* robbed monasteries etc. of their relics and turned them into money. It is well know what part the despoiling of the Delphic temple by the Phocians† played in the history of Greece. Among the ancients, temples served as the dwellings of the gods of commodities. They were 'sacred banks'. With the Phoenicians, a trading people *par excellence*, money was the transmuted shape of everything. It was, therefore, quite in order that the virgins who at the feast of the goddess of love gave themselves to strangers should offer to the goddess the piece of money they received in payment.

42. 'Gold? yellow, glittering, precious gold? . . .
Thus much of this, will make black, white; foul, fair;
Wrong, right; base, noble; old, young; coward, valiant.
. . . What this, you gods? Why, this
Will lug your priests and servants from your sides,
Pluck stout men's pillows from below their heads;

*'Most Christian King'. The official title of the kings of France.
†In 457 B.C. the Phocians, in alliance with Athens, seized Delphi.

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*'Consecrated objects, beyond human commerce.' In this case, the Phoenician virgins.

capable of becoming the private property of any individual. Thus the social power becomes the private power of private persons. Ancient society therefore denounced it as tending to destroy the economic and moral order.[43] Modern society, which already in its infancy had pulled Pluto by the hair of his head from the bowels of the earth,[44] greets gold as its Holy Grail, as the glittering incarnation of its innermost principle of life.

The commodity, as a use-value, satisfies a particular need and forms a particular element of material wealth. But the value of a commodity measures the degree of its attractiveness for all other elements of material wealth, and therefore measures the social wealth of its owner. To the simple owner of commodities among the barbarians, and even to the peasant of Western Europe, value is inseparable from the value-form, hence an increase in his hoard of gold and silver is an increase in value. It is true that the value of money varies, whether as a result of a variation in its own value, or of a change in the values of commodities. But this on the one hand does not prevent 200 ounces of gold from continuing to contain more value than 100 ounces, nor on the other hand does it prevent the metallic natural form of this object from continuing to be the universal equivalent form of all other commodities, and the directly social incarnation of all human labour. The hoarding drive is boundless in its nature. Qualitatively or formally considered, money is independent of all limits, that is it is the universal representative of material wealth because it is directly convertible into

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This yellow slave
Will knit and break religions; bless the accursed;
Make the hoar leprosy adored; place thieves,
And give them title, knee and approbation,
With senators on the bench; this is it,
That makes the wappen'd widow wed again:
... Come damned earth,
Thou common whore of mankind.'

(Shakespeare, *Timon of Athens*, Act 4, Scene 3)

43. 'Nothing so evil as money ever grew to be current among men. This lays cities low, this drives men from their homes, this trains and warps honest souls till they set themselves to works of shame; this still teaches folk to practise villanies, and to know every godless deed' (Sophocles, *Antigone*).*

44. 'Avarice hopes to drag Pluto himself out of the bowels of the earth' (Athenaeus, *Deipnosophistae*).†

*Lines 295 to 301, pp. 64–5 of the edition by Sir R. Jebb, *Sophocles, the Plays and Fragments, Part III, The Antigone*, Cambridge, 1928.

†Bk VI, para. 233.

any other commodity. But at the same time every actual sum of money is limited in amount, and therefore has only a limited efficacy as a means of purchase. This contradiction between the quantitative limitation and the qualitative lack of limitation of money keeps driving the hoarder back to his Sisyphean task: accumulation. He is in the same situation as a world conqueror, who discovers a new boundary with each country he annexes.

In order that gold may be held as money, and made to form a hoard, it must be prevented from circulating, or from dissolving into the means of purchasing enjoyment. The hoarder therefore sacrifices the lusts of his flesh to the fetish of gold. He takes the gospel of abstinence very seriously. On the other hand, he cannot withdraw any more from circulation, in the shape of money, than he has thrown into it, in the shape of commodities. The more he produces, the more he can sell. Work, thrift and greed are therefore his three cardinal virtues, and to sell much and buy little is the sum of his political economy.[45]

Alongside the direct form of the hoard there runs its aesthetic form, the possession of commodities made out of gold and silver. This grows with the wealth of civil society. 'Let us be rich, or let us appear rich' (Diderot). In this way there is formed, on the one hand, a constantly extending market for gold and silver which is independent of their monetary functions, and on the other hand a latent source of monetary inflow which is used particularly in periods of social disturbance.

Hoarding serves various purposes in an economy where metallic circulation prevails. Its first function arises out of the conditions of the circulation of gold and silver coins. We have seen how, owing to the continual fluctuations in the extent and rapidity of the circulation of commodities and in their prices, the quantity of money in circulation unceasingly ebbs and flows. This quantity must therefore be capable of expansion and contraction. At one time money must be attracted as coin, at another time coin must be repelled as money. In order that the mass of money actually in circulation may always correspond to the saturation level of the sphere of circulation, it is necessary for the quantity of gold and silver available in a country to be greater than the quantity

45. 'These are the pivots around which all the measures of political economy turn: the maximum possible increase in the number of sellers of each commodity, and the maximum possible decrease in the number of buyers' (Verri, op. cit., pp. 52–3).

required to function as coin. The reserves created by hoarding serve as channels through which money may flow in and out of circulation, so that the circulation itself never overflows its banks.[46]

(b) Means of Payment

In the direct form of commodity circulation hitherto considered, we found a given value always presented to us in a double shape, as a commodity at one pole, and money at the opposite pole. The owners of commodities therefore came into contact as the representatives of equivalents which were already available to each of them. But with the development of circulation, conditions arise under which the alienation of the commodity becomes separated by an interval of time from the realization of its price.* It will be sufficient to indicate the most simple of these conditions. One sort of commodity requires a longer, another a shorter time for its production. The production of different commodities depends on different seasons of the year. One commodity may be born in the market place, another must travel to a distant market. One commodity-owner may therefore step forth as a seller before the other is ready to buy. When the same transactions are continually repeated between the same persons, the conditions of sale are regulated according to the conditions of production. On the other

46. 'There is required for carrying on the trade of the nation a determinate sum of specifick money, which varies, and is sometimes more, sometimes less, as the circumstances we are in require ... This ebbing and flowing of money supplies and accommodates itself, without any aid of Politicians ... The buckets work alternately; when money is scarce, bullion is coined; when bullion is scarce, money is melted' (Sir D. North, op. cit., postscript, p. 3). John Stuart Mill, who was for a long time an official of the East India Company, confirms that in India silver ornaments still continue to perform directly the functions of a hoard: 'Silver ornaments are brought out and coined when there is a high rate of interest, and go back again when the rate of interest falls' (J. S. Mill's evidence, in *Report from the Select Committee on the Bank Acts*, 1857, n. 2084, 2101). According to a parliamentary document of 1864 on the gold and silver import and export of India,* the import of gold and silver in 1863 exceeded the export by £19,367,764. During the eight years up to 1864, the excess of imports over exports of the precious metals amounted to £109,652,917. During this century far more than £200,000,000 has been coined in India.

* *East India (Bullion). Return to the House of Commons*, 8 February 1864.

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*The commodity can be *alienated*, that is it can leave the hands of the seller, before it is *sold*, which happens when its price is paid over.

hand, the use of certain kinds of commodity (houses, for instance) is sold for a definite period. Only after the lease has expired has the buyer actually received the use-value of the commodity. He therefore buys it before he pays for it. The seller sells an existing commodity, the buyer buys as the mere representative of money, or rather as the representative of future money. The seller becomes a creditor, the buyer becomes a debtor. Since the metamorphosis of commodities, or the development of their form of value, has undergone a change here, money receives a new function as well. It becomes the means of payment.[47]

The role of creditor or of debtor results here from the simple circulation of commodities. The change in its form impresses this new stamp on seller and buyer. At first, therefore, these new roles are just as transient as those of seller and buyer, and are played alternately by the same actors. Nevertheless, this opposition now looks less pleasant from the very outset, and it is capable of a more rigid crystallization.[48] However, the same characteristics can emerge independently of the circulation of commodities. The class struggle in the ancient world, for instance, took the form mainly of a contest between debtors and creditors, and ended in Rome with the ruin of the plebeian debtors, who were replaced by slaves. In the Middle Ages the contest ended with the ruin of the feudal debtors, who lost their political power together with its economic basis. Here, indeed, the money-form – and the relation between creditor and debtor does have the form of a money-relation – was only the reflection of an antagonism which lay deeper, at the level of the economic conditions of existence.

Let us return to the sphere of circulation. The two equivalents, commodities and money, have ceased to appear simultaneously at the two poles of the process of sale. The money functions now,

47. [Note by Engels to the fourth German edition:] Luther distinguishes between money as means of purchase and means of payment: 'You have caused me to suffer two-fold damage, because I cannot pay on the one hand and cannot buy on the other' (Martin Luther, *An die Pfarrherrn, wider den Wucher zu predigen*, Wittenberg, 1540 [without pagination]).*

48. The following shows the relations existing between debtors and creditors among English traders at the beginning of the eighteenth century: 'Such a spirit of cruelty reigns here in England among the men of trade, that is not to be met with in any other society of men, nor in any other kingdom of the world' (*An Essay on Credit and the Bankrupt Act*, London, 1707, p. 2).

*This passage occurs in the context of an attack on the theory that interest could be taken in compensation for the loss of an opportunity on the part of the lender to buy something with the money loaned. Cf. *Theories of Surplus-Value*, Part III, p. 535.

first as a measure of value in the determination of the price of the commodity sold; the price fixed by contract measures the obligation of the buyer, i.e. the sum of money he owes at a particular time. Secondly it serves as a nominal means of purchase. Although existing only in the promise of the buyer to pay, it causes the commodity to change hands. Not until payment falls due does the means of payment actually step into circulation, i.e. leave the hand of the buyer for that of the seller. The circulating medium was transformed into a hoard because the process stopped short after the first phase, because the converted shape of the commodity was withdrawn from circulation. The means of payment enters circulation, but only after the commodity has already left it. The money no longer mediates the process. It brings it to an end by emerging independently, as the absolute form of existence of exchange-value, in other words the universal commodity. The seller turned his commodity into money in order to satisfy some need; the hoarder in order to preserve the monetary form of his commodity, and the indebted purchaser in order to be able to pay. If he does not pay, his goods will be sold compulsorily. The value-form of the commodity, money, has now become the self-sufficient purpose of the sale, owing to a social necessity springing from the conditions of the process of circulation itself.

The buyer converts money back into commodities before he has turned commodities into money: in other words, he achieves the second metamorphosis of commodities before the first. The seller's commodity circulates, and realizes its price, but only as a title to money in civil law. It is converted into a use-value before it has been converted into money. The completion of its first metamorphosis occurs only subsequently.[49]

The obligations falling due within a given period of the circulation process represent the sum of the prices of the commodities

49. The reason why I take no notice in the text of an opposite form will be seen from the following quotation from my book which appeared in 1859: 'Conversely, in the transaction M–C, money as a real means of purchase may be alienated, thus realizing the price of the commodity before the use-value of the money is realized, or before the commodity is handed over. This happens, for instance, in the well-known form of advance-payment. Or in the form of payment used by the English government to buy opium from Indian ryots ... In these cases, however, money functions only in the familiar form of means of purchase ... Of course capital, too, is advanced in the form of money ... but this aspect does not lie within the scope of simple circulation' (*Zur Kritik, etc.*, pp. 119, 120) [English edition, p. 140 and n.].

whose sale gave rise to those obligations. The quantity of money necessary to realize this sum depends in the first instance on the rapidity of circulation of the means of payment. The quantity is conditioned by two factors: first, the way in which relations between creditors and debtors interlock, as when A receives money from B, who is in debt to him, and then pays it out to his creditor C; and second, the length of time between the different days in which the obligations fall due. The chain of payments, or retarded first metamorphoses, which participate in the process, is essentially different from that intertwining of the series of metamorphoses considered earlier. The flow of the circulating medium does not merely express the connection between buyers and sellers: the connection itself arises within, and exists through, the circulation of money. The movement of the means of payment, however, expresses a social connection which was already present independently.

The fact that sales take place simultaneously and side by side limits the extent to which the rapidity of turnover can make up for the quantity of currency available. On the other hand, this fact gives a new impulse towards the economical use of the means of payment. With the concentration of payments in one place, special institutions and methods of liquidation develop spontaneously. For instance, the *virements** in medieval Lyons. The debts due to A from B, to B from C, to C from A, and so on, have only to be brought face to face in order to cancel each other out, to a certain extent, as positive and negative amounts. There remains only a single debit balance to be settled. The greater the concentration of the payments, the less is this balance in relation to the total amount, hence the less is the mass of the means of payment in circulation.

There is a contradiction immanent in the function of money as the means of payment. When the payments balance each other, money functions only nominally, as money of account, as a measure of value. But when actual payments have to be made, money does not come onto the scene as a circulating medium, in its merely transient form of an intermediary in the social metabolism, but as the individual incarnation of social labour, the independent presence of exchange-value, the universal commodity.†

* 'Clearing-houses'.

† Marx gave a slightly different, but illuminating, formulation of this rather difficult idea in the original draft of *Zur Kritik der Politischen Ökono-*

This contradiction bursts forth in that aspect of an industrial and commercial crisis which is known as a monetary crisis.[50] Such a crisis occurs only where the ongoing chain of payments has been fully developed, along with an artificial system for settling them. Whenever there is a general disturbance of the mechanism, no matter what its cause, money suddenly and immediately changes over from its merely nominal shape, money of account, into hard cash. Profane commodities can no longer replace it. The use-value of commodities becomes valueless, and their value vanishes in the face of their own form of value. The bourgeois, drunk with prosperity and arrogantly certain of himself, has just declared that money is a purely imaginary creation. 'Commodities alone are money,' he said. But now the opposite cry resounds over the markets of the world: only money is a commodity. As the hart pants after fresh water, so pants his soul after money, the only wealth.[51] 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

50. [Note by Engels to the third German edition:] The monetary crisis, defined in the text as a particular phase of every general industrial and commercial crisis, must be clearly distinguished from the special sort of crisis, also called a monetary crisis, which may appear independently of the rest, and only affects industry and commerce by its backwash. The pivot of these crises is to be found in money capital, and their immediate sphere of impact is therefore banking, the stock exchange and finance.

51. 'This sudden transformation of the credit system into a monetary system adds theoretical dismay to the actually existing panic, and the agents of the circulation process are overawed by the impenetrable mystery surrounding their own relations' (Karl Marx, *Zur Kritik, etc.*, p. 126) [English edition, p. 146]. 'The poor stand still, because the rich have no money to employ them, though they have the same land and hands to provide victuals and clothes, as ever they had; ... which is the true Riches of a Nation, and not the money' (John Bellers, *Proposals for Raising a Colledge of Industry*, London, 1696, pp. 3–4).

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mie: 'In times of actual monetary crisis, a contradiction appears which is immanent in the development of money as universal means of payment. It is not required as measure; nor as coin ...; but as exchange value become independent, as the physically available universal equivalent, as the materialization of abstract wealth, in short, entirely in the form in which it is the object of actual hoarding, as money' (*Grundrisse der Kritik der politischen Ökonomie*, Heft B. Berlin, 1953, p. 876).

have to be made in gold or in credit-money, such as bank-notes.[52]

If we now consider the total amount of money in circulation during a given period, we find that, for any given turnover rate of the medium of circulation and the means of payment, it is equal to the sum of prices to be realized, plus the sum of the payments falling due, minus the payments which balance each other out, and, finally, minus the number of circuits in which the same piece of coin serves alternately as medium of circulation and means of payment. The farmer, for example, sells his wheat for £2, and this money serves thus as the medium of circulation. On the day when the payment falls due, he uses it to pay for linen which the weaver has delivered. The same £2 now serves as the means of payment. The weaver now buys a Bible for cash. This serves again as the medium of circulation, and so on. Therefore, even when prices, speed of monetary circulation and economies in the use of the means of payment are given, the quantity of money in circulation no longer corresponds with the mass of commodities in circulation during a given period, such as a day. Money which represents commodities long since withdrawn from circulation continues to circulate. Commodities circulate, but their equivalent in money does not appear until some future date. Moreover, the debts contracted each day, and the payments falling due on the same day, are entirely incommensurable magnitudes.[53]

52. The following shows how such occasions are exploited by the 'friends of commerce': 'On one occasion (1839) an old, grasping banker (in the city) in his private room raised the lid of the desk he sat over, and displayed to a friend rolls of bank-notes, saying with intense glee there were £600,000 of them, they were held to make money tight, and would all be let out after three o'clock on the same day' (*The Theory of Exchange. The Bank Charter Act of 1844*, London, 1864, p. 81) [by H. Roy]. The *Observer*, a semi-official government organ, remarked on 24 April 1864: 'Some very curious rumours are current of the means which have been resorted to in order to create a scarcity of bank-notes ... Questionable as it would seem, to suppose that any trick of the kind would be adopted, the report has been so universal that it really deserves mention.'

53. 'The amount of purchases or contracts entered upon during the course of any given day, will not affect the quantity of money afloat on that particular day, but, in the vast majority of cases, will resolve themselves into multifarious drafts upon the quantity of money which may be afloat at subsequent dates more or less distant ... The bills granted or credits opened, today, need have no resemblance whatever, either in quantity, amount, or duration, to those granted or entered upon tomorrow or next day; nay, many of today's bills, and credits, when due, fall in with a mass of liabilities whose origins traverse a range of antecedent dates altogether indefinite, bills at 12, 6, 3

Credit-money springs directly out of the function of money as a means of payment, in that certificates of debts owing for already purchased commodities themselves circulate for the purpose of transferring those debts to others. On the other hand, the function of money as a means of payment undergoes expansion in proportion as the system of credit itself expands. As the means of payment money takes on its own peculiar forms of existence, in which it inhabits the sphere of large-scale commercial transactions. Gold and silver coin, on the other hand, are mostly relegated to the sphere of retail trade.[54]

When the production of commodities has attained a certain level and extent, the function of money as means of payment begins to spread out beyond the sphere of the circulation of commodities. It becomes the universal material of contracts.[55] Rent, taxes and so on are transformed from payments in kind to payments in money. The great extent to which this transformation is conditioned by the total shape of the process of production is shown for example by the twice-repeated failure of the Roman

months or 1 often aggregating together to swell the common liabilities of one particular day ...' (*The Currency Theory Reviewed: A Letter to the Scotch People. By a Banker in England*, Edinburgh, 1845, pp. 29, 30 passim).

54. As an example of how little real money enters into true commercial operations, I give below a statement by one of the largest London merchant banks (Morrison, Dillon & Co.) of its yearly receipts and payments. Its transactions during the year 1856, extending in fact to many millions of pounds, are here reduced to the scale of one million.

Receipts		*Payments*	
Bankers' and merchants' bills payable after date	£533,596	Bills payable after date	£302,674
Cheques on bankers, etc., payable on demand	£357,715	Cheques on London bankers	£663,672
Country notes	£9,627	Bank of England notes	£22,743
Bank of England notes	£68,554	Gold	£9,427
Gold	£28,089	Silver and copper	£1,484
Silver and copper	£1,486		
Post Office orders	£933		
Total:	£1,000,000	Total:	£1,000,000

(*Report from the Select Committee on the Bank Acts*, July 1858, p. lxxi)

55. 'The course of trade being thus turned, from exchanging of goods for goods, or delivering and taking, to selling and paying, all the bargains ... are now stated upon the foot of a Price in money' ([Daniel Defoe], *An Essay upon Publick Credit*, 3rd edn, London, 1710, p. 8).

Empire to levy all contributions in money. The unspeakable misery of the French agricultural population under Louis XIV, a misery so eloquently denounced by Boisguillebert, Marshall Vauban and others, was due not only to the weight of the taxes but also to the conversion of taxes in kind into taxes in money.[56] In Asia, on the other hand, the form of ground rent paid in kind, which is at the same time the main element in state taxation, is based on relations of production which reproduce themselves with the immutability of natural conditions. And this mode of payment in its turn acts to maintain the ancient form of production. It forms one of the secrets of the self-preservation of the Ottoman Empire. If the foreign trade imposed on Japan by Europe brings with it the transformation of rents in kind into money rents, then the exemplary agriculture of that country will be done for. Its narrowly based economic conditions of existence will be swept away.

In every country, certain days become established as the dates on which general settlements are made. They depend in part, leaving aside other circular movements described by reproduction, upon the natural conditions of production, which are bound up with the alternation of the seasons. They also regulate the dates for payments which have no direct connection with the circulation of commodities, such as taxes, rents and so on. The fact that the quantity of money required to make these isolated payments over the whole surface of society falls due on certain days of the year causes periodic, but entirely superficial, perturbations in the economy of the means of payment.[57] From the law of the rapidity

56. 'Money .. has become the executioner of everything.' Finance is 'the alembic in which a frightful quantity of goods and commodities has been distilled in order to extract that unholy essence.' 'Money declares war on the whole of humanity' (Boisguillebert, *Dissertation sur la nature des richesses, de l'argent et des tributs*, ed. Daire, *Économistes financiers*, Paris, 1843, Vol. 1, pp. 413, 419, 417, 418).

57. 'On Whitsuntide, 1824,' said Mr Craig before the Commons Committee of 1826, 'there was such an immense demand for notes upon the banks of Edinburgh, that by 11 o'clock we had not a note left in our custody. We sent round to all the different banks to borrow, but could not get them, and many of the transactions were adjusted by slips of paper only; yet by three o'clock the whole of the notes were returned into the banks from which they had issued! It was a mere transfer from hand to hand.' Although the average effective circulation of bank-notes in Scotland is less than £3m., yet on certain settlement days in the year every single note in the possession of the bankers, amounting altogether to about £7m., is called into activity. On these occasions the notes have a single and specific function to perform, and as

of circulation of the means of payment, it follows that the quantity of the means of payment required for all periodic payments, whatever their source, is in direct* proportion to the length of the periods.[58]

The development of money as a means of payment makes it necessary to accumulate it in preparation for the days when the sums which are owing fall due. While hoarding, considered as an independent form of self-enrichment, vanishes with the advance of bourgeois society [*die bürgerliche Gesellschaft*], it grows at the same time in the form of the accumulation of a reserve fund of the means of payment.

(c) World Money

When money leaves the domestic sphere of circulation it loses the local functions it has acquired there, as the standard of prices, coin, and small change, and as a symbol of value, and falls back into its original form as precious metal in the shape of bullion. In world trade, commodities develop their value universally. Their independent value-form thus confronts them here too as world money. It is in the world market that money first functions to its

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soon as they have performed it they flow back into the various banks from which they issued. (See John Fullarton, *Regulation of Currencies*, London, 1845, p. 86, note.) In explanation it should be added that in Scotland, at the time of Fullarton's work, notes and not cheques were used to withdraw deposits.

58. To the question 'if there were occasion to raise 40 millions p.a., whether the same 6 millions (gold) ... would suffice for such revolutions and circulations thereof, as trade requires,' Petty replies in his usual masterly manner, 'I answer yes: for the expense being 40 millions, if the revolutions were in such short circles, viz., weekly, as happens among poor artisans and labourers, who receive and pay every Saturday, then $\frac{40}{52}$ parts of 1 million of money would answer these ends; but if the circles be quarterly, according to our custom of paying rent, and gathering taxes, then 10 million were requisite. Wherefore, supposing payments in general to be of a mixed circle between one week and 13, then add 10 millions to $\frac{40}{52}$, the half of which will be $5\frac{1}{2}$, so as if we have $5\frac{1}{2}$ millions we have enough' (William Petty, *Political Anatomy of Ireland, 1672*, London edition, 1691, pp. 13, 14) [what Marx cites here is Petty's essay *Verbum Sapienti*, which appeared as a supplement to the *Political Anatomy of Ireland*].

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*All previous editions have the word 'inverse' here. Yet it is quite apparent from the discussion in note 58 that Marx meant to write 'direct'. In short, the longer the *period*, the more money is needed, and *vice versa*.

full extent as the commodity whose natural form is also the directly social form of realization of human labour in the abstract. Its mode of existence becomes adequate to its concept.

Within the sphere of domestic circulation, there can only be one commodity which by serving as a measure of value becomes money. On the world market a double standard prevails, both gold and silver.[59]

59. Hence the absurdity of all legislation laying down that the banks of a country should form reserves only of the particular precious metal circulating within the country as money. The 'pleasant difficulties' created in this way by the Bank of England for itself are a well-known example. On the subject of the major historical epochs in the relative value of gold and silver, see Karl Marx, op. cit., pp. 136 ff. [English edition, pp. 155 ff.]. Sir Robert Peel, by his Bank Act of 1844, sought to tide over the difficulty by allowing the Bank of England to issue notes against silver bullion, on condition that the reserve of silver should never exceed more than one fourth of the reserve of gold. For that purpose, the value of silver is estimated according to its market price (in gold) on the London market.

[The following was added by Engels to the fourth German edition:] We find ourselves once more in a period of serious change in the relative values of gold and silver. About twenty-five years ago the ratio expressing the relative value of gold and silver was 15½:1; now it is approximately 22:1, and silver is still constantly falling as against gold. This is essentially the result of a revolution in the mode of production of both metals. Formerly gold was obtained almost exclusively by washing it out from gold-bearing alluvial deposits, products of the weathering of auriferous rocks. Now this method has become inadequate and has been forced into the background by the processing of quartz lodes themselves, a mode of extraction which formerly was only of secondary importance, although well known to the ancients (Diodorus, III, 12–14). Moreover, not only were huge new silver deposits discovered in North America, in the western part of the Rocky Mountains, but these and the Mexican silver mines were really opened up by the laying of railways, which made possible the shipment of modern machinery and fuel and in consequence the mining of silver on a very large scale at low cost. However, there is a great difference in the way the two metals occur in the quartz lodes. The gold is mostly native, but disseminated throughout the quartz in minute quantities. The whole mass of the vein must therefore be crushed and the gold either washed out or extracted by means of mercury. Often 1,000,000 grammes of quartz barely yield 1–3 grammes of gold, and very seldom do they yield 30–60 grammes. Silver is seldom found native: however, it occurs in special quartz that is separated from the lode with comparative ease and contains mostly 40–90 per cent silver, and is also contained, in smaller quantities, in copper, lead and other ores which in themselves are worthwhile working. From this alone it is apparent that the labour expended on the production of gold is tending to increase, while that expended on silver production has decidedly decreased, which quite naturally explains the drop in the value of the latter. This fall in value would express itself in a still greater fall in price if the price of silver were not pegged even today by artificial means. But America's rich silver

World money serves as the universal means of payment, as the universal means of purchase, and as the absolute social materialization of wealth as such (universal wealth).* Its predominant function is as means of payment in the settling of international balances. Hence the slogan of the Mercantile System: balance of trade.[60] Gold and silver serve essentially as international means of purchase when the customary equilibrium in the interchange of products between different nations is suddenly disturbed. And,

deposits have so far barely been tapped, and thus the prospects are that the value of this metal will keep on dropping for rather a long time to come. A still greater contributing factor here is the relative decrease in the need for silver for articles of general use and for luxuries, that is its replacement by plated goods, aluminium, etc. One may thus gauge the utopianism of the bimetallist idea that compulsory international quotation will raise silver again to the old value ratio of 1:15½. It is more likely that silver will forfeit its money function more and more in the world market.

60. The opponents of the Mercantile System, a system which considered the settlement of surplus trade balances in gold and silver as the aim of international trade, were for their part entirely mistaken as to the function of world money. I have thoroughly demonstrated elsewhere, taking Ricardo as an example, the way in which a false conception of the laws which regulate the quantity of the circulating medium is reflected in a false conception of the international movement of the precious metals (op. cit., pp. 150 ff.) [English edition, p. 174]. His erroneous dogma: 'An unfavourable balance of trade never arises but from a redundant currency ... The exportation of the coin is caused by its cheapness, and is not the effect, but the cause of an unfavourable balance,'* already occurs in Barbon: 'The balance of Trade, if there be one, is not the cause of sending away the money out of a nation; but that proceeds from the difference of the value of bullion in every country' (N. Barbon, op. cit., pp. 59, 60). MacCulloch, in *The Literature of Political Economy: A Classified Catalogue*, London, 1845, praises Barbon for this anticipation, but very wisely avoids even mentioning the naïve forms in which the absurd presuppositions of the 'currency principle'† appear in Barbon's work. The uncritical and even dishonest nature of MacCulloch's catalogue reaches its summit in the sections devoted to the history of the theory of money, where he is flattering Lord Overstone (ex-banker Loyd), whom he describes as '*facile princeps argentariorum*' [the recognized king of the money merchants].‡

*David Ricardo, *The High Price of Bullion, a Proof of the Depreciation of Bank Notes*, 4th edn, London, 1811, pp. 11, 12, 14.

†'Currency principle': the principle, implemented in the Bank Act of 1844, that the amount of currency in circulation should always correspond to the quantity of gold in the country. See Karl Marx, op. cit., English edition, p. 185.

‡Samuel Jones Loyd (1796–1883). Rich and influential banker, witness before two Parliamentary committees on banking (those of 1833 and 1840). Main advocate of the 'currency principle'. Created Baron Overstone in 1860.

*The words in parentheses were added in English by Marx.

lastly, world money serves as the universally recognized social materialization of wealth, whenever it is not a matter of buying or paying, but of transferring wealth from one country to another, and whenever its transfer in the form of commodities is ruled out, either by the conjuncture of the market, or by the purpose of the transfer itself.[61]

Just as every country needs a reserve fund for its internal circulation, so too it requires one for circulation in the world market. The functions of hoards, therefore, arise in part out of the function of money as medium of payment and circulation internally, and in part out of its function as a world currency.[62] In this latter role it is always the genuine money-commodity, gold and silver in their physical shape, which is required. For that reason Sir James Steuart expressly characterizes gold and silver as 'money of the world'* in order to distinguish them from their merely local representatives.

The stream of gold and silver has a twofold motion. On the one hand, it spreads out from its sources all over the world, and is absorbed to various extents into the different national spheres of circulation, where it enters into the various channels of internal circulation. There it replaces abraded gold and silver coins, supplies the material for articles of luxury, and petrifies into hoards.[63]

61. For instance, in the case of subsidies, money loans for carrying on wars or for enabling banks to resume cash payments, etc., value may be required precisely in the money-form.

62. 'I would desire, indeed, no more convincing evidence of the competency of the machinery of the hoards in specie-paying countries to perform every necessary office of international adjustment, without any sensible aid from the general circulation, than the facility with which France, when but just recovering from the shock of a destructive foreign invasion, completed within the space of 27 months the payment of her forced contribution of nearly 20 millions to the allied powers, and a considerable proportion of the sum in specie, without any perceptible contraction or derangement of her domestic currency, or even any alarming fluctuation of her exchanges' (Fullarton, op. cit., p. 141). [Added by Engels to the fourth German edition:] We have a still more striking example in the facility with which the same France was able in 1871–3 to pay off within 30 months a forced contribution more than ten times as great, a considerable part of it likewise in specie.

63. 'Money is shared among the nations in accordance with their need for it . . . as it is always attracted by the products' (Le Trosne, op. cit., p. 916). 'The mines which are continually giving gold and silver, do give sufficient to supply such a needful balance to every nation' (J. Vanderlint, op. cit., p. 40).

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*Sir James Steuart, *An Inquiry into the Principles of Political Economy*, Dublin, 1770, Vol. 2, p. 370. Cf. *Zur Kritik etc.*, English translation, p. 167.

This first movement is transmitted through the medium of the direct exchange of the labour of individual countries which has been realized in commodities for the labour realized in the precious metals by the gold- and silver-producing countries. On the other hand, gold and silver continually flow backwards and forwards between the different national spheres of circulation, and this movement follows the unceasing fluctuations of the rate of exchange.[64]

Countries with developed bourgeois production limit the hoards concentrated in the strong rooms of the banks to the minimum required for the performance of their specific functions.[65] Whenever these hoards are strikingly above their average level, this is, with some exceptions, an indication of stagnation in the circulation of commodities, i.e. of an interruption in the flow of their metamorphoses.[66]

64. 'Exchanges rise and fall every week, and at some particular times in the year run high against a nation, and at other times run as high on the contrary' (N. Barbon, op. cit., p. 39).

65. These different functions can come dangerously into conflict whenever gold and silver have also to serve as a fund for the conversion of bank notes.

66. 'What money is more than of absolute necessity for a Home Trade, is dead stock ... and brings no profit to that country it's kept in, but as it is transported in trade, as well as imported' (John Bellers, *Essays, etc.*, p. 13). 'What if we have too much coin? We may melt down the heaviest and turn it into the splendour of plate, vessels or utensils of gold or silver; or send it out as a commodity, where the same is wanted or desired; or let it out at interest, where interest is high' (W. Petty, *Quantulumcunque*, p. 39). 'Money is but the fat of the Body Politick, whereof too much doth as often hinder its agility, as too little makes it sick ... as fat lubricates the motion of the muscles, feeds in want of victuals, fills up the uneven cavities, and beautifies the body; so doth money in the state quicken its action, feeds from abroad in time of dearth at home; evens accounts ... and beautifies the whole; altho' more especially the particular persons that have it in plenty' (W. Petty, *Political Anatomy of Ireland*, pp. 14, 15) [in fact, this is again the supplement, *Verbum Sapienti*].

Part Two

The Transformation of Money into Capital

Chapter 4: The General Formula for Capital

The circulation of commodities is the starting-point of capital. The production of commodities and their circulation in its developed form, namely trade, form the historic presuppositions under which capital arises. World trade and the world market date from the sixteenth century, and from then on the modern history of capital starts to unfold.

If we disregard the material content of the circulation of commodities, i.e. the exchange of the various use-values, and consider only the economic forms brought into being by this process, we find that its ultimate product is money. This ultimate product of commodity circulation is the first form of appearance of capital.

Historically speaking, capital invariably first confronts landed property in the form of money; in the form of monetary wealth, merchants' capital and usurers' capital.[1] However, we do not need to look back at the history of capital's origins in order to recognize that money is its first form of appearance. Every day the same story is played out before our eyes. Even up to the present day, all new capital, in the first instance, steps onto the stage – i.e. the market, whether it is the commodity-market, the labour-market, or the money-market – in the shape of money, money which has to be transformed into capital by definite processes.

The first distinction between money as money and money as capital is nothing more than a difference in their form of circulation. The direct form of the circulation of commodities is C–M–C, the transformation of commodities into money and the re-conversion of money into commodities: selling in order to buy.

1. The antagonism between the power of landed property, based on personal relations of domination and servitude, and the power of money, which is impersonal, is clearly expressed by the two French proverbs, '*Nulle terre sans seigneur*', and '*L'argent n'a pas de maître*'.*

*'No land without its lord' and 'Money has no master'.

But alongside this form we find another form, which is quite distinct from the first: M–C–M, the transformation of money into commodities, and the re-conversion of commodities into money: buying in order to sell. Money which describes the latter course in its movement is transformed into capital, becomes capital, and, from the point of view of its function, already is capital.

Let us examine the circular movement M–C–M a little more closely. Just as in the case of simple circulation, it passes through two antithetical phases. In the first phase, M–C (the purchase), the money is changed into a commodity. In the second phase, C–M (the sale), the commodity is changed back again into money. These two phases, taken together in their unity, constitute the total movement which exchanges money for a commodity, and the same commodity for money, which buys a commodity in order to sell it, or, if one neglects the formal distinction between buying and selling, buys a commodity with money and then buys money with a commodity.[2] The result, in which the whole process vanishes, is the exchange of money for money, M–M. If I purchase 2,000 lb. of cotton for £100, and resell the 2,000 lb. of cotton for £110, I have in fact exchanged £100 for £110, money for money.

Now it is evident that the circulatory process M–C–M would be absurd and empty if the intention were, by using this roundabout route, to exchange two equal sums of money, £100 for £100. The miser's plan would be far simpler and surer: he holds on to his £100 instead of exposing it to the dangers of circulation. And yet, whether the merchant who has paid £100 for his cotton sells it for £110, or lets it go for £100, or even £50, his money has at all events described a characteristic and original path, quite different in kind from the path of simple circulation, as for instance in the case of the peasant who sells corn, and with the money thus set free buys clothes. First, then, we have to characterize the formal distinctions between the two circular paths M–C–M and C–M–C. This will simultaneously provide us with the difference in content which lies behind these formal distinctions.

Let us first see what the two forms have in common.

Both paths can be divided into the same two antithetical phases, C–M, sale, and M–C, purchase. In each phase the same material elements confront each other, namely a commodity and money,

2. 'With money one buys commodities, and with commodities one buys money' (Mercier de la Rivière, *L'Ordre naturel et essentiel des sociétés politiques*, p. 543).

and the same economic *dramatis personae*, a buyer and a seller. Each circular path is the unity of the same two antithetical phases, and in each case this unity is mediated through the emergence of three participants in a contract, of whom one only sells, another only buys and the third both buys and sells.

What however first and foremost distinguishes the two paths C–M–C and M–C–M from each other is the inverted order of succession of the two opposed phases of circulation. The simple circulation of commodities begins with a sale and ends with a purchase, while the circulation of money as capital begins with a purchase and ends with a sale. In the one case both the starting-point and the terminating-point of the movement are commodities, in the other they are money. The whole process is mediated in the first form by money, and in the second, inversely, by a commodity.

In the circulation C–M–C, the money is in the end converted into a commodity which serves as a use-value; it has therefore been spent once and for all. In the inverted form M–C–M, on the contrary, the buyer lays out money in order that, as a seller, he may recover money. By the purchase of his commodity he throws money into circulation, in order to withdraw it again by the sale of the same commodity. He releases the money, but only with the cunning intention of getting it back again. The money therefore is not spent, it is merely advanced.[3]

In the form C–M–C, the same piece of money is displaced twice. The seller gets it from the buyer and pays it away to another seller. The whole process begins when money is received in return for commodities, and comes to an end when money is given up in return for commodities. In the form M–C–M this process is inverted. Here it is not the piece of money which is displaced twice, but the commodity. The buyer takes it from the hands of the seller and passes it into the hands of another buyer. Whilst in the simple circulation of commodities the twofold displacement of the same piece of money effects its definitive transfer from one hand into another, here the twofold displacement of the same commodity causes the money to flow back to its initial point of departure.

3. 'When a thing is bought in order to be sold again, the sum employed is called money advanced; when it is bought not to be sold, it may be said to be expended' (James Steuart, *Works, etc.*, edited by General Sir James Steuart, his son, London, 1805, Vol. 1, p. 274).

This reflux of money to its starting-point does not depend on the commodity's being sold for more than was paid for it. That only has a bearing on the amount of money which flows back. The phenomenon of reflux itself takes place as soon as the purchased commodity is resold, i.e. as soon as the cycle M–C–M has been completed. We have here, therefore, a palpable difference between the circulation of money as capital, and its circulation as mere money.

The cycle C–M–C reaches its conclusion when the money brought in by the sale of one commodity is withdrawn again by the purchase of another. If there follows a reflux of money to its starting-point, this can happen only through a renewal or repetition of the whole course of the movement. If I sell a quarter of corn for £3, and with this £3 buy clothes, the money, so far as I am concerned, is irreversibly spent. I have nothing more to do with it. It belongs to the clothes merchant. If I now sell a second quarter of corn, money indeed flows back to me, not however as a result of the first transaction, but of its repetition. The money again leaves me as soon as I complete this second transaction by a fresh purchase. In the cycle C–M–C, therefore, the expenditure of money has nothing to do with its reflux. In M–C–M on the other hand the reflux of the money is conditioned by the very manner in which it is expended. Without this reflux, the operation fails, or the process is interrupted and incomplete, owing to the absence of its complementary and final phase, the sale.

The path C–M–C proceeds from the extreme constituted by one commodity, and ends with the extreme constituted by another, which falls out of circulation and into consumption. Consumption, the satisfaction of needs, in short use-value, is therefore its final goal. The path M–C–M, however, proceeds from the extreme of money and finally returns to that same extreme. Its driving and motivating force, its determining purpose, is therefore exchange-value.

In the simple circulation of commodities the two extremes have the same economic form. They are both commodities, and commodities of equal value. But they are also qualitatively different use-values, as for example corn and clothes. The exchange of products, the interchange carried out between the different materials in which social labour is embodied, forms here the content of the movement. It is otherwise in the cycle M–C–M. At first sight this appears to lack any content, because it is tautological. Both extremes have the same economic form. They are both money, and therefore are not qualitatively different use-values, for money is precisely the converted form of commodities, in which their particular use-values have been extinguished. To exchange £100 for cotton, and then to exchange this same cotton again for £100, is merely a roundabout way of exchanging money for money, the same for the same, and appears to be an operation as purposeless as it is absurd.[4] One sum of money is distinguishable from another only by its amount. The process M–C–M does not therefore owe its content to any qualitative difference between its extremes, for they are both money, but solely to quantitative changes. More money is finally withdrawn from circulation than was thrown into it at the beginning. The cotton originally bought for £100 is for example re-sold at £100+£10, i.e. £110. The complete form of this process is therefore M–C–M′, where $M' = M + \Delta M$, i.e. the original sum advanced plus an increment. This increment or excess over the original value I call 'surplus-value'.*

4. 'One does not exchange money for money,' exclaims Mercier de la Rivière to the Mercantilists (op. cit., p. 486). In a work which professes to deal with 'trade' and 'speculation' there occurs the following: 'All trade consists in the exchange of things of different kinds; and the advantage' (to the merchant?) 'arises out of this difference. To exchange a pound of bread against a pound of bread ... would be attended with no advantage; ... Hence trade is advantageously contrasted with gambling, which consists in a mere exchange of money for money' (Th. Corbet, *An Inquiry into the Causes and Modes of the Wealth of Individuals; or the Principles of Trade and Speculation Explained*, London, 1841, p. 5). Although Corbet does not see that M–M, the exchange of money for money, is the characteristic form of circulation, not only of merchants' capital, but of all capital, yet at least he acknowledges that this form is common to gambling and to one species of trade, namely speculation. Then, however, MacCulloch comes on the scene, and asserts that to buy in order to sell is to speculate, and thus the distinction between speculation and trade vanishes. 'Every transaction in which an individual buys produce in order to sell it again is in fact a speculation' (MacCulloch, *A Dictionary, Practical etc., of Commerce*, London, 1847, p. 1009). With much more naïveté, Pinto, the Pindar of the Amsterdam Stock Exchange,* remarks: 'Trade is a game' (this phrase is borrowed from Locke) 'and nothing can be won from beggars. If one won everything from everybody for long, it would be necessary to give back voluntarily the greater part of the profit in order to begin the game again' (Pinto, *Traité de la circulation et du crédit*, Amsterdam, 1771, p. 231).

*Pindar (522–442 B.C.) composed odes in praise of Olympic victors; Pinto (A.D. 1715–87), rich Amsterdam speculator and merchant, wrote books in praise of his country's financial system.

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*In both German (*Mehrwert*) and English in the original.

The value originally advanced, therefore, not only remains intact while in circulation, but increases its magnitude, adds to itself a surplus-value, or is valorized [*verwertet sich*].* And this movement converts it into capital.

Of course, it is also possible that in C–M–C the two extremes C and C, say corn and clothes, may represent quantitatively different magnitudes of value. The peasant may sell his corn above its value, or may buy the clothes at less than their value. He may, on the other hand, be cheated by the clothes merchant. Yet, for this particular form of circulation, such differences in value are purely accidental. The fact that the corn and the clothes are equivalents does not deprive the process of all sense and meaning, as it does in M–C–M. The equivalence of their values is rather a necessary condition of its normal course.

The repetition or renewal of the act of selling in order to buy finds its measure and its goal (as does the process itself) in a final purpose which lies outside it, namely consumption, the satisfaction of definite needs. But in buying in order to sell, on the contrary, the end and the beginning are the same, money or exchange-value and this very fact makes the movement an endless one. Certainly M becomes M + Δ M, £100 becomes £110. But, considered qualitatively, £100 is the same as £110, namely money; while, from the quantitative point of view, £110 is, like £100, a sum of definite and limited value. If the £110 is now spent as money, it ceases to play its part. It is no longer capital. Withdrawn from circulation, it is petrified into a hoard, and it could remain in that position until the Last Judgement without a single farthing accruing to it. If, then, we are concerned with the valorization [*Verwertung*] of value, the value of the £110 has the same need for valorization as the value of the £100, for they are both limited expressions of exchange-value, and therefore both have the same vocation, to approach, by quantitative increase, as near as possible to absolute wealth. Momentarily, indeed, the value originally advanced, the £100, is distinguishable from the surplus-value of £10, added to it during circulation; but the distinction vanishes immediately. At the end of the process, we do not receive on one hand the original £100, and on the other the surplus-value

*Along with the concept of surplus-value, the concept of *Verwertung* is introduced here for the first time. Since there is no extant English word which adequately conveys Marx's meaning, we have adopted throughout the word 'valorization'.

of £10. What emerges is rather a value of £110, which is in exactly the same form, appropriate for commencing the valorization process, as the original £100. At the end of the movement, money emerges once again as its starting-point.[5] Therefore the final result of each separate cycle, in which a purchase and consequent sale are completed, forms of itself the starting-point for a new cycle. The simple circulation of commodities – selling in order to buy – is a means to a final goal which lies outside circulation, namely the appropriation of use-values, the satisfaction of needs. As against this, the circulation of money as capital is an end in itself, for the valorization of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless.[6]

5. 'Capital is divided . . . into the original capital and profit – the increment of capital . . . although in practice profit is immediately lumped together with capital and set into motion with it' (F. Engels, *Umrisse zu einer Kritik der Nationalökonomie*, in *Deutsch-Französische Jahrbücher*, edited by Arnold Ruge and Karl Marx, Paris, 1844, p. 99) [English translation, p. 430].

6. Aristotle contrasts economics with 'chrematistics'. He starts with economics. So far as it is the art of acquisition, it is limited to procuring the articles necessary to existence and useful either to a household or the state. 'True wealth (ὁ ἀληθινὸς πλοῦτος) consists of such use-values; for the amount of property which is needed for a good life is not unlimited . . . There is, however, a second mode of acquiring things, to which we may by preference and with correctness give the name of chrematistics, and in this case there appear to be no limits to riches and property. Trade (ἡ καπηλική is literally retail trade, and Aristotle chooses this form because use-values predominate in it) does not in its nature belong to chrematistics, for here the exchange only has reference to what is necessary for (the buyer or the seller) themselves.' Therefore, as he goes on to show, the original form of trade was barter, but with the extension of the latter there arose the necessity for money. With the discovery of money, barter of necessity developed into καπηλική, into trading in commodities, and this again, in contradiction with its original tendency, grew into chrematistics, the art of making money. Now chrematistics can be distinguished from economics in that 'for chrematistics, circulation is the source of riches (ποιητικὴ χρημάτων . . . διὰ χρημάτων μεταβολῆς). And it appears to revolve around money, for money is the beginning and the end of this kind of exchange (το γὰρ νόμισμα στοιχεῖον καὶ πέρας τῆς αλλαγῆς ἐστιν). Therefore also riches, such as chrematistics strives for, are unlimited. Just as every art which is not a means to an end, but an end in itself, has no limit to its aims, because it seeks constantly to approach nearer and nearer to that end, while those arts which pursue means to an end are not boundless, since the goal itself imposes a limit on them, so with chrematistics there are no bounds to its aims, these aims being absolute wealth. Economics, unlike chrematistics, has a limit . . . for the object of the former is something different from money, of the latter the augmentation of money . . . By confusing these two forms, which overlap each

As the conscious bearer [*Träger*] of this movement, the possessor of money becomes a capitalist. His person, or rather his pocket, is the point from which the money starts, and to which it returns. The objective content of the circulation we have been discussing – the valorization of value – is his subjective purpose, and it is only in so far as the appropriation of ever more wealth in the abstract is the sole driving force behind his operations that he functions as a capitalist, i.e. as capital personified and endowed with consciousness and a will. Use-values must therefore never be treated as the immediate aim of the capitalist;[7] nor must the profit on any single transaction. His aim is rather the unceasing movement of profit-making.[8] This boundless drive for enrichment, this passionate chase after value,[9] is common to the capitalist and the miser; but while the miser is merely a capitalist gone mad, the capitalist is a rational miser. The ceaseless augmentation of value, which the miser seeks to attain by saving[10] his money from circulation, is

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other, some people have been led to look upon the preservation and increase of money *ad infinitum* as the final goal of economics' (Aristotle, *De Republica*, ed. Bekker, lib. I, c. 8, 9, passim).*

7. 'Commodities' (here used in the sense of use-values) 'are not the terminating object of the trading capitalist, money is his terminating object' (T. Chalmers, *On Political Economy etc.*, 2nd edn, Glasgow, 1832, pp. 165–6).

8. 'Though the merchant does not count the profit he has just made as nothing, he nevertheless always has his eye on his future profit' (A. Genovesi, *Lezioni di economia civile* (1765), printed in Custodi's edition of the Italian economists, *Parte moderna*, Vol. 8, p. 139).

9. 'The inextinguishable passion for gain, the *auri sacra fames*,† will always lead capitalists' (MacCulloch, *The Principles of Political Economy*, London, 1830, p. 179). This view, of course, does not prevent the same MacCulloch and his associates, when they are in theoretical difficulties, as for example in the treatment of over-production, from transforming the same capitalist into a good citizen, whose sole concern is for use-values, and who even develops an insatiable hunger for boots, hats, eggs, calico and other extremely common kinds of use-value.

10. Σώζειν [to save] is a characteristic Greek expression for hoarding. So in English the word 'to save' means both *retten* [to rescue] and *sparen* [to save].

*English edition: *Works of Aristotle*, Vol. X, Oxford, 1921, 'Politica', trs. B. Jowett, paras. 1256 and 1257. Much of this differs significantly from Marx's translation into German, as a result of his practice of quoting so as to bring out the meaning relevant to his argument. Thus 'gaining wealth through exchange' turns in Marx's hands into 'circulation', 'the art of household management' into 'economics', and 'the art of getting wealth' into 'chrematistics'.

†'Accursed hunger for gold'.

achieved by the more acute capitalist by means of throwing his money again and again into circulation.[11]

The independent form, i.e. the monetary form, which the value of commodities assumes in simple circulation, does nothing but mediate the exchange of commodities, and it vanishes in the final result of the movement. On the other hand, in the circulation M–C–M both the money and the commodity function only as different modes of existence of value itself, the money as its general mode of existence, the commodity as its particular or, so to speak, disguised mode.[12] It is constantly changing from one form into the other, without becoming lost in this movement; it thus becomes transformed into an automatic subject. If we pin down the specific forms of appearance assumed in turn by self-valorizing value in the course of its life, we reach the following elucidation: capital is money, capital is commodities.[13] 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 changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently. For the movement in the course of which it adds surplus-value is its own movement, its valorization is therefore self-valorization [*Selbstverwertung*]. By virtue of being value, it has acquired the occult ability to add value to itself. It brings forth living offspring, or at least lays golden eggs.

As the dominant subject [*übergreifendes Subjekt*] of this process, in which it alternately assumes and loses the form of money and the form of commodities, but preserves and expands itself through all these changes, 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 valorization process.

11. 'Things possess an infinite quality when moving in a circle which they lack when advancing in a straight line' (Galiani, op. cit., p. 156).

12. 'It is not the material which forms capital, but the value of that material' (J. B. Say, *Traité d'économie politique*, 3rd edn, Paris, 1817, Vol. 2, p. 429).

13. 'Currency (!) employed in producing articles . . . is capital' (Macleod, *The Theory and Practice of Banking*, London, 1855, Vol. 1, Ch. 1, p. 55). 'Capital is commodities' (James Mill, *Elements of Political Economy*, London, 1821, p. 74).

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* i.e. the independently acting agent.

It was £100, and now it is £110, etc. But the money itself is only one of the two forms of value. Unless it takes the form of some commodity, it does not become capital. There is here no antagonism, as in the case of hoarding, between the money and commodities. The capitalist knows that all commodities, however tattered they may look, or however badly they may smell, are in faith and in truth money, are by nature circumcised Jews, and, what is more, a wonderful means for making still more money out of money.

In simple circulation, the value of commodities attained at the most a form independent of their use-values, i.e. the form of money. But now, in the circulation M–C–M, value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms. But there is more to come: instead of simply representing the relations of commodities, it now enters into a private relationship with itself, as it were. It differentiates itself as original value from itself as surplus-value, just as God the Father differentiates himself from himself as God the Son, although both are of the same age and form, in fact one single person; for only by the surplus-value of £10 does the £100 originally advanced become capital, and as soon as this has happened, as soon as the son has been created and, through the son, the father, their difference vanishes again, and both become one, £110.

Value therefore now becomes value in process, money in process, and, as such, capital. It comes out of circulation, enters into it again, preserves and multiplies itself within circulation, emerges from it with an increased size, and starts the same cycle again and again.[14] M–M, 'money which begets money', such is the description of capital given by its first interpreters, the Mercantilists.

Buying in order to sell, or, more accurately, buying in order to sell dearer, M–C–M, seems admittedly to be a form peculiar to one kind of capital alone, merchants' capital. But industrial capital too is money which has been changed into commodities, and reconverted into more money by the sale of these commodities. Events which take place outside the sphere of circulation, in the interval between buying and selling, do not affect the form of this movement. Lastly, in the case of interest-bearing capital, the cir-

14. 'Capital ... permanent self-multiplying value' (Sismondi, *Nouveaux Principes d'économie politique*, Vol. 1, p. 89) [cited in German in the original, and slightly altered].

culation M–C–M′ presents itself in abridged form, in its final result and without any intermediate stage, in a concise style, so to speak, as M–M′, i.e. money which is worth more money, value which is greater than itself.

M–C–M′ is in fact therefore the general formula for capital, in the form in which it appears directly in the sphere of circulation.

Chapter 5: Contradictions in the General Formula

The form of circulation within which money is transformed into capital contradicts all the previously developed laws bearing on the nature of commodities, value, money and even circulation itself. What distinguishes this form from that of the simple circulation of commodities is the inverted order of succession of the two antithetical processes, sale and purchase. How can this purely formal distinction change the nature of these processes, as if by magic?

But that is not all. This inversion has no existence for two of the three persons who transact business together. As a capitalist, I buy commodities from A and sell them again to B, but as a simple owner of commodities I sell them to B and then purchase further commodities from A. For A and B this distinction does not exist. They step forth only as buyers or sellers of commodities. I myself confront them each time as a mere owner of either money or commodities, as a buyer or a seller, and what is more, in both sets of transactions I confront A only as a buyer and B only as a seller. I confront the one only as money, the other only as commodities, but neither or them as capital or a capitalist, or a representative of anything more than money or commodities, or of anything which might produce any effect beyond that produced by money or commodities. For me the purchase from A and the sale to B are part of a series. But the connection between these two acts exists for me alone. A does not trouble himself about my transaction with B, nor does B about my business with A. And if I offered to explain to them the meritorious nature of my action in inverting the order of succession, they would probably point out to me that I was mistaken as to that order, and that the whole transaction, instead of beginning with a purchase and ending with a sale, began, on the contrary, with a sale and was concluded with a purchase. In truth, my first act, the purchase, was from the standpoint of A a sale, and my second act, the sale, was from the standpoint of B a purchase. Not content with that, A and B would declare that the whole series was superfluous and nothing but hocus-pocus; that for the future A would buy direct from B, and B sell direct to A. With this the whole transaction would shrink down to a single, one-sided phase of the ordinary circulation of commodities, a mere sale from A's point of view, and from B's, a mere purchase. Thus the inversion of the order of succession does not take us outside the sphere of the simple circulation of commodities, and we must rather look to see whether this simple circulation, by its nature, might permit the valorization of the values entering into it and consequently the formation of surplus-value.

Let us take the process of circulation in a form in which it presents itself to us as the exchange of commodities pure and simple. This is always the case when two owners of commodities buy from each other, and on the date of settlement the amounts they owe to each other balance out equally. Money serves here as money of account, and expresses the values of the commodities in their prices, but does not itself confront the commodities in a material shape. In so far as use-values are concerned, it is clear that both parties may gain. Both of them part with commodities which are of no service to them as use-values, and receive others they need to use. And this may not be the only advantage gained. A, who sells wine and buys corn, possibly produces more wine in the same labour-time than B, the corn-farmer, could produce, and B, on the other hand, may produce more corn than A, the wine-grower, could produce. A may therefore get more corn for the same exchange-value, and B more wine, than each would respectively get without any exchange if they had to produce their own corn and wine. With reference, therefore, to use-value, it can indeed be said that 'exchange is a transaction by which both sides gain'.[1] It is otherwise with exchange-value.

'A man who has plenty of wine and no corn treats with a man who has plenty of corn and no wine; an exchange takes place between them of corn to the value of 50, for wine of the same value. This act produces no increase of exchange-value either for

1. 'Exchange is an admirable transaction by which both sides gain – always (!)' (Destutt de Tracy, *Traité de la volonté et de ses effets*, Paris, 1826, p. 68). This work appeared afterwards as *Traité d'économie politique*. [In 1823; the first edition of the *Traité de la volonté* was published in 1815.]

the one or the other; for each of them already possessed, before the exchange, a value equal to that which he acquired by means of that operation.'[2]

This situation is not altered by placing money, as a medium of circulation, between the commodities, and making the sale and the purchase into two physically distinct acts.[3] The value of a commodity is expressed in its price before it enters into circulation, and it is therefore a pre-condition of circulation, not its result.[4]

If we consider this in the abstract, i.e. disregarding circumstances which do not flow from the immanent laws of simple commodity circulation, all that happens in exchange (if we leave aside the replacing of one use-value by another) is a metamorphosis, a mere change in the form of the commodity. The same value, i.e. the same quantity of objectified social labour, remains throughout in the hands of the same commodity-owner, first in the shape of his own commodity, then in the shape of the money into which the commodity has been transformed, and finally in the shape of the commodity into which this money has been re-converted. This change of form does not imply any change in the magnitude of the value. But the change which the value of the commodity undergoes in this process is limited to a change in its money-form. This form exists first as the price of the commodity offered for sale, then as an actual sum of money, which was, however, already expressed in the price, and lastly as the price of an equivalent commodity. This change of form no more implies, taken alone, a change in the quantity of value than does the changing of a £5 note into sovereigns, half-sovereigns and shillings. In so far, therefore, as the circulation of commodities involves a change only in the form of their values, it necessarily involves the exchange of equivalents, provided the phenomenon occurs in its purity. The vulgar economists have practically no inkling of the nature of value; hence, whenever they wish to consider the phenomenon in its purity, after their fashion, they assume that supply and demand are equal, i.e. that they cease to have any effect at all. If, then, as

2. Mercier de la Rivière, op. cit., p. 544.

3. 'Whether one of these two values is money, or whether they are both ordinary commodities, is in itself a matter of complete indifference' (Mercier de la Rivière, op. cit., p. 543).

4. 'It is not the parties to a contract who decide on the value; that has been decided before the contract' (Le Trosne, op. cit., p. 906).

regards the use-values exchanged, both buyer and seller may possibly gain something, this is not the case as regards exchange-values. Here we must rather say: 'Where equality exists there is no gain.'[5] It is true that commodities may be sold at prices which diverge from their values, but this divergence appears as an infringement of the laws governing the exchange of commodities.[6] In its pure form, the exchange of commodities is an exchange of equivalents, and thus it is not a method of increasing value.[7]

Hence we see that behind all attempts to represent the circulation of commodities as a source of surplus-value, there lurks an inadvertent substitution, a confusion of use-value and exchange-value. In Condillac, for instance: 'It is not true that in an exchange of commodities we give value for value. On the contrary, each of the two contracting parties in every case gives a less for a greater value ... If we really exchanged equal values, neither party could make a profit. And yet they both gain, or ought to gain. Why? The value of a thing consists solely in its relation to our needs. What is more to the one is less to the other, and *vice versa* ... It is not to be assumed that we offer for sale articles essential for our own consumption ... We wish to part with a useless thing, in order to get one that we need; we want to give less for more ... It was natural to think that, in an exchange, one value was given for another equal to it whenever each of the articles exchanged was of equal value with the same quantity of gold ... But there is another point to be considered in our calculation. The question is, whether we both exchange something superfluous for something necessary.'[8] We see in this passage how Condillac not only confuses use-value with exchange-value, but in a really childish manner assumes that, in a society in which the production of commodities is well developed, each producer produces his own means

5. '*Dove è egualità non è lucro*' (Galiani, *Della Moneta*, in Custodi, *Parte moderna*, Vol. 4, p. 244).

6. 'The exchange becomes unfavourable for one of the parties when some external circumstance comes to lessen or increase the price; then equality is infringed; but this infringement arises from that cause and not from the exchange itself' (Le Trosne, op. cit., p. 904).

7. 'Exchange is by its nature a contract which rests on equality, i.e. it takes place between two equal values. It is therefore not a means of self-enrichment, since as much is given as is received' (Le Trosne, op. cit., p. 903).

8. Condillac, *Le Commerce et le gouvernement* (1776), ed. Daire and Molinari, in the *Mélanges d'économie politique*, Paris, 1847, pp. 267, 291.

of subsistence, and throws into circulation only what is superfluous, the excess over his own requirements.[9] Still, Condillac's argument is frequently repeated by modern economists, especially when the point is to show that the exchange of commodities in its developed form, commerce, is productive of surplus-value. For instance, 'Commerce ... adds value to products, for the same products in the hands of consumers are worth more than in the hands of producers, and it may strictly be considered an act of production.'[10] But commodities are not paid for twice over, once on account of their use-value, and a second time on account of their value. And though the use-value of a commodity is more serviceable to the buyer than to the seller, its money-form is more so to the seller. Would he sell it otherwise? We might therefore just as well say that the buyer performs what is 'strictly' an 'act of production' by converting stockings, for example, into money.

If commodities, or commodities and money, of equal exchange-value, and consequently equivalents, are exchanged, it is plain that no one abstracts more value from circulation than he throws into it. The formation of surplus-value does not take place. In its pure form, the circulation process necessitates the exchange of equivalents, but in reality processes do not take place in their pure form. Let us therefore assume an exchange of non-equivalents.

In any case the market for commodities is frequented only by owners of commodities, and the power which these persons exercise over each other is no other than the power of their commodities. The material variety of the commodities is the material driving force behind their exchange, and it makes buyers and sellers mutually dependent, because none of them possesses the object of his own need, and each holds in his own hand the object of another's need. Apart from this material variety in their use-values, there is only one other mark of distinction between com-

9. Le Trosne therefore answers his friend Condillac quite correctly as follows: 'In a developed society absolutely nothing is superfluous.' At the same time he teases him by saying that 'If both the persons who exchange receive more in return for an equal amount, and part with less in return for an equal amount, they both get the same.'* It is because Condillac has not the remotest idea of the nature of exchange-value that he has been chosen by Herr Professor Wilhelm Roscher as a suitable guarantor of the soundness of his own childish notions. See Roscher's *Die Grundlagen der Nationalökonomie*, 3rd edn, 1858.

10. S. P. Newman, *Elements of Political Economy*, Andover and New York, 1835, p. 175.

*Le Trosne, op. cit., pp. 907, 904.

modities, the distinction between their natural form and their converted form, between commodities and money. Consequently, the owners of commodities can be differentiated only into sellers, those who own commodities, and buyers, those who own money.

Suppose then that some inexplicable privilege allows the seller to sell his commodities above their value, to sell what is worth 100 for 110, therefore with a nominal price increase of 10 per cent. In this case the seller pockets a surplus-value of 10. But after he has sold he becomes a buyer. A third owner of commodities now comes to him as seller, and he too, for his part, enjoys the privilege of selling his commodities 10 per cent too dear. Our friend gained 10 as a seller only to lose it again as a buyer.[11] In fact the net result is that all owners of commodities sell their goods to each other at 10 per cent above their value, which is exactly the same as if they sold them at their true value. A universal and nominal price increase of this kind has the same effect as if the values of commodities had been expressed for example in silver instead of in gold. The money-names or prices of the commodities would rise, but the relations between their values would remain unchanged.

Let us make the opposite assumption, that the buyer has the privilege of purchasing commodities below their value. In this case we do not even need to recall that he in his turn will become a seller. He was a seller before he became a buyer; he had already lost 10 per cent as a seller before he gained 10 per cent as a buyer.[12] Everything remains as it was before.

The formation of surplus-value, and therefore the transformation of money into capital, can consequently be explained neither by assuming that commodities are sold above their value, nor by assuming that they are bought at less than their value.[13]

11. 'By the augmentation of the nominal value of the produce ... sellers [are] not enriched ... since what they gain as sellers, they precisely expend in the quality of buyers' ([J. Gray],* *The Essential Principles of the Wealth of Nations etc.*, London, 1797, p. 66).

12. 'If one is compelled to sell a quantity of a certain product for 18 livres when it has a value of 24 livres, then, when one employs the same amount of money in buying, one will receive for 18 livres the same quantity of the product as 24 livres would have bought otherwise' (Le Trosne, op. cit., p. 897).

13. 'A seller can normally only succeed in raising the prices of his commodities if he agrees to pay, by and large, more for the commodities of the

* John Gray, eighteenth-century writer on economic and political questions. Not to be confused with John Gray (1798–1850), utopian socialist and follower of Robert Owen.

The problem is in no way simplified if extraneous matters are smuggled in, as with Colonel Torrens: 'Effectual demand consists in the power and inclination (!), on the part of consumers, to give for commodities, either by immediate or circuitous barter, some greater portion of . . . capital than their production costs.'[14] In circulation, producers and consumers confront each other only as buyers and sellers. To assert that the surplus-value acquired by the producer has its origin in the fact that consumers pay for commodities more than their value is only to disguise the following simple phrase: the owner of commodities possesses, as a seller, the privilege of selling too dear. The seller has himself produced the commodities or represents their producer, but the buyer has to no less an extent produced the commodities represented by his money, or represents the producer of those commodities. One producer is therefore confronted with another producer. The distinction between them is that one buys and the other sells. The fact that the owner of the commodities sells them at more than their value, under the designation of producer, and pays too much for them, under the designation of consumer, does not carry us a single step further.[15]

The consistent upholders of the mistaken theory that surplus-value has its origin in a nominal rise of prices or in the privilege which the seller has of selling too dear assume therefore that there exists a class of buyers who do not sell, i.e. a class of consumers who do not produce. The existence of such a class is inexplicable from the standpoint we have so far reached, that of simple circulation. But let us anticipate. The money with which such a class is constantly making purchases must constantly flow into its coffers without any exchange, *gratis*, whether by might or by right, from the pockets of the commodity-owners themselves. To sell commodities at more than their value to such a class is only to get back again, by swindling, a part of the money previously

other sellers; and for the same reason a consumer can normally only pay less for his purchases if he submits to a similar reduction in the prices of the things he sells' (Mercier de la Rivière, op. cit., p. 555).

14. R. Torrens, *An Essay on the Production of Wealth*, London, 1821, p. 349.

15. 'The idea of profits being paid by the consumers, is, assuredly, very absurd. Who are the consumers?' (G. Ramsay, *An Essay on the Distribution of Wealth*, Edinburgh, 1836, p. 183).

handed over for nothing.[16] Thus, the towns of Asia Minor paid a yearly money tribute to ancient Rome. With this money Rome bought commodities from them, and bought them too dear. The provincials cheated the Romans, and in this way swindled back from their conquerors a portion of the tribute in the course of trade. Yet, for all that, the provincials remained the ones who had been cheated. Their goods were still paid for with their own money. That is not the way to get rich or to create surplus-value.

Let us therefore keep within the limits of the exchange of commodities, where sellers are buyers, and buyers are sellers. Our perplexity may perhaps have arisen from conceiving people merely as personified categories, instead of as individuals.

A may be clever enough to get the advantage of B and C without their being able to take their revenge. A sells wine worth £40 to B, and obtains from him in exchange corn to the value of £50. A has converted his £40 into £50, has made more money out of less, and has transformed his commodities into capital. Let us examine this a little more closely. Before the exchange we had £40 of wine in the hands of A, and £50 worth of corn in those of B, a total value of £90. After the exchange we still have the same total value of £90. The value in circulation has not increased by one iota; all that has changed is its distribution between A and B. What appears on one side as a loss of value appears on the other side as surplus-value; what appears on one side as a minus appears on the other side as a plus. The same change would have taken place if A, without the disguise provided by the exchange, had directly stolen the £10 from B. The sum of the values in circulation can clearly not be augmented by any change in their distribution, any more than a Jew can increase the quantity of the precious metals in a country by selling a farthing from the time of Queen Anne for

16. 'When a man is in want of a demand, does Mr Malthus recommend him to pay some other person to take off his goods?' is a question put by an infuriated Ricardian to Malthus, who, like his disciple Parson Chalmers,* economically glorifies this class of simple buyers or consumers. See *An Inquiry into Those Principles, Respecting the Nature of Demand and the Necessity of Consumption, Lately Advocated by Mr Malthus etc.*, London, 1821, p. 55.

*The Reverend Thomas Chalmers (1780–1847) was a Scottish Presbyterian minister who taught moral philosophy and divinity, as well as writing books on political economy. 'Malthus's theory is expressed in an exaggerated and even more nauseating form by Thomas Chalmers (Professor of Divinity)' (*Theories of Surplus-Value*, Part 3, p. 56).

a guinea. The capitalist class of a given country, taken as a whole, cannot defraud itself.[17]

However much we twist and turn, the final conclusion remains the same. If equivalents are exchanged, no surplus-value results, and if non-equivalents are exchanged, we still have no surplus-value.[18] Circulation, or the exchange of commodities, creates no value.[19]

It can be understood, therefore, why, in our analysis of the primary form of capital, the form in which it determines the economic organization of modern society, we have entirely left out of consideration its well-known and so to speak antediluvian forms, merchants' capital and usurers' capital.

The form M–C–M′, buying in order to sell dearer, is at its purest in genuine merchants' capital. But the whole of this movement takes place within the sphere of circulation. Since, however, it is impossible, by circulation alone, to explain the transformation of money into capital, and the formation of surplus-value, merchants' capital appears to be an impossibility, as long as equivalents are exchanged;[20] it appears, therefore, that it can

17. Destutt de Tracy, although, or perhaps because, he was a *Membre de l'Institut*,* held the opposite view. The industrial capitalists, he says, make profits because 'they all sell for more than it has cost to produce. And to whom do they sell? In the first instance to one another' (op. cit., p. 239).

18. 'The exchange of two equal values neither increases nor diminishes the amount of the values present in society. Equally, the exchange of two unequal values . . . effects no change in the sum of social values, although it adds to the wealth of one person what it removes from the wealth of another' (J. B. Say, op. cit., Vol. 2, pp. 443–4). Say, who is of course untroubled by the consequences of this statement, borrows it almost word for word from the Physiocrats. The following example will show how Monsieur Say exploited the writings of the Physiocrats, in his day quite forgotten, for the purpose of increasing the 'value' of his own. His 'most celebrated' saying, 'Products can only be bought with products' (op. cit., Vol. 2, p. 441), runs as follows in the original Physiocratic work: 'Products can only be paid for with products' (Le Trosne, op. cit., p. 899).

19. 'Exchange confers no value at all upon products' (F. Wayland, *The Elements of Political Economy*, Boston, 1843, p. 169).

20. 'Under the rule of invariable equivalents commerce would be impossible' (G. Opdyke, *A Treatise on Political Economy*, New York, 1851, pp. 66–9). 'The difference between real value and exchange-value is based on one fact –

*That is, a member of the Institut de France, the government-financed and run association which was established in 1793 to 'promote the arts and sciences' and still groups beneath its aegis the five great French literary and scientific academies (Académie Française, Académie des Inscriptions, Académie des Sciences, Académie des Beaux-arts, Académie des Sciences Morales et Politiques).

only be derived from the twofold advantage gained, over both the selling and the buying producers, by the merchant who parasitically inserts himself between them. It is in this sense that Franklin says 'war is robbery, commerce is cheating'.[21] If the valorization of merchants' capital is not to be explained merely by frauds practised on the producers of commodities, a long series of intermediate steps would be necessary, which are as yet entirely absent, since here our only assumption is the circulation of commodities and its simple elements.

What we have said with reference to merchants' capital applies still more to usurers' capital. In merchants' capital the two extremes, the money which is thrown upon the market and the augmented money which is withdrawn from the market, are at least mediated through a purchase and a sale, through the movement of circulation. In usurers' capital the form M–C–M′ is reduced to the unmediated extremes M–M′, money which is exchanged for more money, a form incompatible with the nature of money and therefore inexplicable from the standpoint of the exchange of commodities. Hence Aristotle says: 'Since chrematistics is a double science, one part belonging to commerce, the other to economics, the latter being necessary and praiseworthy, the former based on circulation and with justice disapproved (for it is not based on Nature, but on mutual cheating), the usurer is most rightly hated, because money itself is the source of his gain, and is not used for the purposes for which it was invented. For it originated for the exchange of commodities, but interest makes out of money, more money. Hence its name.' (τόκος interest and offspring.) 'For the offspring resembles the parent. But interest is money, so that of all modes of making a living, this is the most contrary to Nature.'[22]

In the course of our investigation, we shall find that both merchants' capital and interest-bearing capital are derivative forms, and at the same time it will become clear why, historically, these two forms appear before the modern primary form of capital.

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namely, that the value of a thing differs from the so-called equivalent given for it in trade, i.e. that this equivalent is not an equivalent' (F. Engels, op. cit., p. 96) [English translation, p. 427].

21. Benjamin Franklin, *Positions to be Examined, Concerning National Wealth*, in *Works*, Vol. 2, ed. Sparks, p. 376.

22. Aristotle, op. cit., c. 10 [English translation, para. 1258b].

We have shown that surplus-value cannot arise from circulation, and therefore that, for it to be formed, something must take place in the background which is not visible in the circulation itself.[23] But can surplus-value originate anywhere else than in circulation, which is the sum total of all the mutual relations of commodity-owners? Outside circulation, the commodity-owner only stands in a relation to his own commodity. As far as the value of that commodity is concerned, the relation is limited to this, that the commodity contains a quantity of his own labour which is measured according to definite social laws. This quantity of labour is expressed by the magnitude of the value of his commodity, and since the value is reckoned in money of account, this quantity is also expressed by the price, £10 for instance. But his labour does not receive a double representation: it is not represented both in the value of the commodity and in an excess quantity over and above that value, it is not represented in a price of 10 which is simultaneously a price of 11, i.e. in a value which is greater than itself. The commodity-owner can create value by his labour, but he cannot create values which can valorize themselves. He can increase the value of his commodity by adding fresh labour, and therefore more value, to the value in hand, by making leather into boots, for instance. The same material now has more value, because it contains a greater quantity of labour. The boots have therefore more value than the leather, but the value of the leather remains what it was. It has not valorized itself, it has not annexed surplus-value during the making of the boots. It is therefore impossible that, outside the sphere of circulation, a producer of commodities can, without coming into contact with other commodity-owners, valorize value, and consequently transform money or commodities into capital.

Capital cannot therefore arise from circulation, and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation.

We therefore have a double result.

The transformation of money into capital has to be developed on the basis of the immanent laws of the exchange of commodities, in such a way that the starting-point is the exchange of equi-

23. 'Profit, in the usual condition of the market, is not made by exchanging. Had it not existed before, neither could it after that transaction' (Ramsay, op. cit., p. 184).

valents.[24] The money-owner, who is as yet only a capitalist in larval form, must buy his commodities at their value, sell them at their value, and yet at the end of the process withdraw more value from circulation than he threw into it at the beginning. His emergence as a butterfly must, and yet must not, take place in the sphere of circulation. These are the conditions of the problem. *Hic Rhodus, hic salta!**

24. The reader will see from the foregoing discussion that the meaning of this statement is only as follows: the formation of capital must be possible even though the price and the value of a commodity be the same, for it cannot be explained by referring to any divergence between price and value. If prices actually differ from values, we must first reduce the former to the latter, i.e. disregard this situation as an accidental one in order to observe the phenomenon of the formation of capital on the basis of the exchange of commodities in its purity, and to prevent our observations from being interfered with by disturbing incidental circumstances which are irrelevant to the actual course of the process. We know, moreover, that this reduction is not limited to the field of science. The continual oscillations in prices, their rise and fall, compensate each other, cancel each other out, and carry out their own reduction to an average price which is their internal regulator. This average price is the guiding light of the merchant or the manufacturer in every undertaking of a lengthy nature. The manufacturer knows that if a long period of time is considered, commodities are sold neither over nor under, but at, their average price. If, therefore, he were at all interested in disinterested thinking, he would formulate the problem of the formation of capital as follows: How can we account for the origin of capital on the assumption that prices are regulated by the average price, i.e. ultimately by the value of the commodities? I say 'ultimately' because average prices do not directly coincide with the values of commodities, as Adam Smith, Ricardo, and others believe.*

*'Ricardo accepts Smith's confusion or identification of exchange-value with cost-price or natural price,' a confusion based on the notion that exchange-value is formed by putting together the values of wages, profit and rent (*Theories of Surplus-Value*, Part II, p. 217).

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*This is the reply made, in one of Aesop's fables, to a boaster who claimed he had once made an immense leap in Rhodes. 'Rhodes is here. Leap here and now.' But it is also a reference back to the *Preface* to Hegel's *Philosophy of Right*, where he uses the quotation to illustrate his view that the task of philosophy is to apprehend and comprehend what is, rather than what ought to be.

Chapter 6: The Sale and Purchase of Labour-Power

The change in value of the money which has to be transformed into capital cannot take place in the money itself, since in its function as means of purchase and payment it does no more than realize [*realisieren*] the price of the commodity it buys or pays for, while, when it sticks to its own peculiar form, it petrifies into a mass of value of constant magnitude.[1] Just as little can this change originate in the second act of circulation, the resale of the commodity, for this act merely converts the commodity from its natural form back into its money-form. The change must therefore take place in the commodity which is bought in the first act of circulation, M–C, but not in its value, for it is equivalents which are being exchanged, and the commodity is paid for at its full value. The change can therefore originate only in the actual use-value of the commodity, i.e. in its consumption. In order to extract value out of the consumption of a commodity, our friend the money-owner must be lucky enough to find within the sphere of circulation, on the market, a commodity whose use-value possesses the peculiar property of being a source of value, whose actual consumption is therefore itself an objectification [*Vergegenständlichung*] of labour, hence a creation of value. The possessor of money does find such a special commodity on the market: the capacity for labour [*Arbeitsvermögen*], in other words labour-power [*Arbeitskraft*].

We mean by labour-power, or labour-capacity, the aggregate of those mental and physical capabilities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind.

But in order that the owner of money may find labour-power on the market as a commodity, various conditions must first be fulfilled. In and for itself, the exchange of commodities implies

1. 'In the form of money. . . capital is productive of no profit' (Ricardo, *Principles of Political Economy*, p. 267).

no other relations of dependence than those which result from its own nature. On this assumption, labour-power can appear on the market as a commodity only if, and in so far as, its possessor, the individual whose labour-power it is, offers it for sale or sells it as a commodity. In order that its possessor may sell it as a commodity, he must have it at his disposal, he must be the free proprietor of his own labour-capacity, hence of his person.[2] He and the owner of money meet in the market, and enter into relations with each other on a footing of equality as owners of commodities, with the sole difference that one is a buyer, the other a seller; both are therefore equal in the eyes of the law. For this relation to continue, the proprietor of labour-power must always sell it for a limited period only, for if he were to sell it in a lump, once and for all, he would be selling himself, converting himself from a free man into a slave, from an owner of a commodity into a commodity. He must constantly treat his labour-power as his own property, his own commodity, and he can do this only by placing it at the disposal of the buyer, i.e. handing it over to the buyer for him to consume, for a definite period of time, temporarily. In this way he manages both to alienate [*veräussern*] his labour-power and to avoid renouncing his rights of ownership over it.[3]

2. In encyclopedias of classical antiquity one can read such nonsense as this: In the ancient world capital was fully developed, 'except for the absence of the free worker* and of a system of credit'. Mommsen too, in his *History of Rome*, commits one blunder after another in this respect.

3. Hence legislation in various countries fixes a maximum length for labour contracts. Wherever free labour is the rule, the law regulates the conditions for terminating this contract. In some states, particularly in Mexico (and before the American Civil War in the territories taken by the United States from Mexico, as also in practice in the Danubian Principalities until Cuza's *coup d'état*†), slavery is hidden under the form of peonage. By means of advances

* Just as the word '*Arbeit*' can be rendered both as 'work' and as 'labour', so also the word '*Arbeiter*' can be rendered as 'worker' and as 'labourer'. We prefer 'worker' to 'labourer' in general, although in the case of 'agricultural labourer' we have made an exception. This is because the word 'labourer' has an old-fashioned and indeed a somewhat bourgeois flavour.

† Prince Alexander Cuza, Hospodar of the Danubian Principalities (Romania) from 1859 to 1866, in April 1864 proposed a land reform which was rejected by the Assembly, dominated as that was by the magnates. In May 1864 he dissolved the Assembly and issued a new Constitutional Statute, endorsed by a popular plebiscite. This allowed him to impose the Agrarian Law of August 1864 on the country. By this law, all feudal dues and tithes were swept away (with generous compensation of course) and the serfs were legally enfranchised.

The second essential condition which allows the owner of money to find labour-power in the market as a commodity is this, that the possessor of labour-power, instead of being able to sell commodities in which his labour has been objectified, must rather be compelled to offer for sale as a commodity that very labour-power which exists only in his living body.

In order that a man may be able to sell commodities other than his labour-power, he must of course possess means of production, such as raw materials, instruments of labour, etc. No boots can be made without leather. He requires also the means of subsistence. Nobody – not even a practitioner of *Zukunftsmusik** – can live on the products of the future, or on use-values whose production has not yet been completed; just as on the first day of his appearance on the world's stage, man must still consume every day, before and while he produces. If products are produced as commodities, they must be sold after they have been produced, and they can only satisfy the producer's needs after they have been sold. The time necessary for sale must be counted as well as the time of production.

For the transformation of money into capital, therefore, the owner of money must find the free worker available on the commodity-market; and this worker must be free in the double sense that as a free individual he can dispose of his labour-power as his own commodity, and that, on the other hand, he has no other commodity for sale, i.e. he is rid of them, he is free of all the

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repayable in labour, which are handed down from generation to generation, not only the individual worker, but also his family, become in fact the property of other persons and their families. Juarez abolished peonage, but the so-called Emperor Maximilian re-established it by a decree which was aptly denounced in the House of Representatives in Washington as a decree for the re-introduction of slavery into Mexico. 'Single products of my particular physical and mental skill and of my power to act I can alienate to someone else and I can give him the use of my abilities for a restricted period, because, on the strength of this restriction, my abilities acquire an external relation to the totality and universality of my being. By alienating the whole of my time, as crystallized in my work, and everything I produced, I would be making into another's property the substance of my being, my universal activity and actuality, my personality' (Hegel, *Philosophie des Rechts*, Berlin, 1840, p. 104, para. 67) [English translation, p. 54].

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*'Music of the future', in other words castles in the air, or dreams which may or may not be realized.

objects needed for the realization [*Verwirklichung*] of his labour-power.

Why this free worker confronts him in the sphere of circulation is a question which does not interest the owner of money, for he finds the labour-market in existence as a particular branch of the commodity-market. And for the present it interests us just as little. We confine ourselves to the fact theoretically, as he does practically. One thing, however, is clear: nature does not produce on the one hand owners of money or commodities, and on the other hand men possessing nothing but their own labour-power. This relation has no basis in natural history, nor does it have a social basis common to all periods of human history. It is clearly the result of a past historical development, the product of many economic revolutions, of the extinction of a whole series of older formations of social production.

The economic categories already discussed similarly bear a historical imprint. Definite historical conditions are involved in the existence of the product as a commodity. In order to become a commodity, the product must cease to be produced as the immediate means of subsistence of the producer himself. 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. Such an investigation, however, would have been foreign to the analysis of commodities. The production and circulation of commodities can still take place even though the great mass of the objects produced are intended for the immediate requirements of their producers, and are not turned into commodities, so that the process of social production is as yet by no means dominated in its length and breadth by exchange-value. The appearance of products as commodities requires a level of development of the division of labour within society such that the separation of use-value from exchange-value, a separation which first begins with barter, has already been completed. But such a degree of development is common to many economic formations of society [*ökonomische Gesellschaftsformationen*], with the most diverse historical characteristics.

If we go on to consider money, its existence implies that a definite stage in the development of commodity exchange has been reached. The various forms of money (money as the mere equivalent of commodities, money as means of circulation, money as means of payment, money as hoard, or money as world currency) indicate very different levels of the process of social production, according to the extent and relative preponderance of one function or the other. Yet we know by experience that a relatively feeble development of commodity circulation suffices for the creation of all these forms. It is otherwise with capital. The historical conditions of its existence are by no means given with the mere circulation of money and commodities. It arises only when the owner of the means of production and subsistence finds the free worker available, on the market, as the seller of his own labour-power. And this one historical pre-condition comprises a world's history. Capital, therefore, announces from the outset a new epoch in the process of social production.[4]

This peculiar commodity, labour-power, must now be examined more closely. Like all other commodities it has a value.[5] How is that value determined?

The value of labour-power is determined, as in the case of every other commodity, by the labour-time necessary for the production, and consequently also the reproduction, of this specific article. In so far as it has value, it represents no more than a definite quantity of the average social labour objectified in it. Labour-power exists only as a capacity of the living individual. Its production consequently presupposes his existence. Given the existence of the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a certain quantity of the means of subsistence. Therefore the labour-time necessary for the production of labour-power is the same as that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of its owner. However, labour-power becomes a reality only by being expressed; it is activated only through labour. But in the course of this activity, i.e. labour, a definite quantity of human muscle, nerve, brain, etc. is expended, and these things have to be re-

4. The capitalist epoch is therefore characterized by the fact that labour-power, in the eyes of the worker himself, takes on the form of a commodity which is his property; his labour consequently takes on the form of wage-abour. On the other hand, it is only from this moment that the commodity-form of the products of labour becomes universal.

5. 'The value or worth of a man, is as of all other things his price – that is to say, so much as would be given for the use of his power' (T. Hobbes, *Leviathan*, in *Works*, ed. Molesworth, London, 1839–44, Vol. 3, p. 76).

placed. Since more is expended, more must be received.[6] If the owner of labour-power works today, tomorrow he must again be able to repeat the same process in the same conditions as regards health and strength. His means of subsistence must therefore be sufficient to maintain him in his normal state as a working individual. His natural needs, such as food, clothing, fuel and housing vary according to the climatic and other physical peculiarities of his country. On the other hand, the number and extent of his so-called necessary requirements, as also the manner in which they are satisfied, are themselves products of history, and depend therefore to a great extent on the level of civilization attained by a country; in particular they depend on the conditions in which, and consequently on the habits and expectations with which, the class of free workers has been formed.[7] In contrast, therefore, with the case of other commodities, the determination of the value of labour-power contains a historical and moral element. Nevertheless, in a given country at a given period, the average amount of the means of subsistence necessary for the worker is a known *datum*.

The owner of labour-power is mortal. If then his appearance in the market is to be continuous, and the continuous transformation of money into capital assumes this, the seller of labour-power must perpetuate himself 'in the way that every living individual perpetuates himself, by procreation'.[8] The labour-power withdrawn from the market by wear and tear, and by death, must be continually replaced by, at the very least, an equal amount of fresh labour-power. Hence the sum of means of subsistence necessary for the production of labour-power must include the means necessary for the worker's replacements, i.e. his children, in order that this race of peculiar commodity-owners may perpetuate its presence on the market.[9]

In order to modify the general nature of the human organism in

6. In ancient Rome, therefore, the *villicus*, as the overseer of the agricultural slaves, received 'more meagre fare than working slaves, because his work was lighter' (T. Mommsen, *Römische Geschichte*, 1856, p. 810).

7. Cf. W. T. Thornton, *Over-Population and Its Remedy*, London, 1846.

8. Petty.

9. 'Its' (labour's) 'natural price ... consists in such a quantity of necessaries and comforts of life, as, from the nature of the climate, and the habits of the country, are necessary to support the labourer, and to enable him to rear such a family as may preserve, in the market, an undiminished supply of labour' (R. Torrens, *An Essay on the External Corn Trade*, London, 1815, p. 62). The word labour is here wrongly used for labour-power.

such a way that it acquires skill and dexterity in a given branch of industry, and becomes labour-power of a developed and specific kind, a special education or training is needed, and this in turn costs an equivalent in commodities of a greater or lesser amount. The costs of education vary according to the degree of complexity of the labour-power required. These expenses (exceedingly small in the case of ordinary labour-power) form a part of the total value spent in producing it.

The value of labour-power can be resolved into the value of a definite quantity of the means of subsistence. It therefore varies with the value of the means of subsistence, i.e. with the quantity of labour-time required to produce them.

Some of the means of subsistence, such as food and fuel, are consumed every day, and must therefore be replaced every day. Others, such as clothes and furniture, last for longer periods and need to be replaced only at longer intervals. Articles of one kind must be bought or paid for every day, others every week, others every quarter and so on. But in whatever way the sum total of these outlays may be spread over the year, they must be covered by the average income, taking one day with another. If the total of the commodities required every day for the production of labour-power $= A$, and of those required every week $= B$, and of those required every quarter $= C$, and so on, the daily average of these commodities $= \frac{365A + 52B + 4C + \ldots}{365}$. Suppose that this mass of commodities required for the average day contains 6 hours of social labour, then every day half a day of average social labour is objectified in labour-power, or in other words half a day of labour is required for the daily production of labour-power. This quantity of labour forms the value of a day's labour-power, or the value of the labour-power reproduced every day. If half a day of average social labour is present in 3 shillings, then 3 shillings is the price corresponding to the value of a day's labour-power. If its owner therefore offers it for sale at 3 shillings a day, its selling price is equal to its value, and according to our original assumption the owner of money, who is intent on transforming his 3 shillings into capital, pays this value.

The ultimate or minimum limit of the value of labour-power is formed by the value of the commodities which have to be supplied every day to the bearer of labour-power, the man, so that he can renew his life-process. That is to say, the limit is formed by the value of the physically indispensable means of subsistence. If the price of labour-power falls to this minimum, it falls below its value, since under such circumstances it can be maintained and developed only in a crippled state, and the value of every commodity is determined by the labour-time required to provide it in its normal quality.

It is an extraordinarily cheap kind of sentimentality which declares that this method of determining the value of labour-power, a method prescribed by the very nature of the case, is brutal, and which laments with Rossi in this matter: 'To conceive capacity for labour (*puissance de travail*) in abstraction from the workers' means of subsistence during the production process is to conceive a phantom (*être de raison*). When we speak of labour, or capacity for labour, we speak at the same time of the worker and his means of subsistence, of the worker and his wages.'[10] When we speak of capacity for labour, we do not speak of labour, any more than we speak of digestion when we speak of capacity for digestion. As is well known, the latter process requires something more than a good stomach. When we speak of capacity for labour, we do not abstract from the necessary means of subsistence. On the contrary, their value is expressed in its value. If his capacity for labour remains unsold, this is of no advantage to the worker. He will rather feel it to be a cruel nature-imposed necessity that his capacity for labour has required for its production a definite quantity of the means of subsistence, and will continue to require this for its reproduction. Then, like Sismondi, he will discover that 'the capacity for labour . . . is nothing unless it is sold'.[11]

One consequence of the peculiar nature of labour-power as a commodity is this, that it does not in reality pass straight away into the hands of the buyer on the conclusion of the contract between buyer and seller. Its value, like that of every other commodity, is already determined before it enters into circulation, for a definite quantity of social labour has been spent on the production of the labour-power. But its use-value consists in the subsequent exercise of that power. The alienation [*Veräusserung*] of labour-power and its real manifestation [*Äusserung*], i.e. the period of its existence as a use-value, do not coincide in time. But in those cases in which the formal alienation by sale of the use-value of a

10. Rossi, *Cours d'économie politique*, Brussels, 1842, pp. 370–71.
11. Sismondi, *Nouvelles Principes etc.*, Vol. 1, p. 113.

commodity is not simultaneous with its actual transfer to the buyer, the money of the buyer serves as means of payment.[12]

In every country where the capitalist mode of production prevails, it is the custom not to pay for labour-power until it has been exercised for the period fixed by the contract, for example, at the end of each week. In all cases, therefore, the worker advances the use-value of his labour-power to the capitalist. He lets the buyer consume it before he receives payment of the price. Everywhere the worker allows credit to the capitalist. That this credit is no mere fiction is shown not only by the occasional loss of the wages the worker has already advanced, when a capitalist goes bankrupt,[13] but also by a series of more long-lasting consequences.[14]

12. 'All labour is paid after it has ceased' (*An Inquiry into Those Principles, Respecting the Nature of Demand, etc.*, p. 104). 'The system of commercial credit had to start at the moment when the worker, the prime creator of products, could, thanks to his savings, wait for his wages until the end of the week, the fortnight, the month, the quarter, etc.' (C. Ganilh, *Des systèmes de l'économie politique*, 2nd edn, Paris, 1821, Vol. 1, p. 150).

13. 'The worker lends his industry,' says Storch. But he slyly adds to this the statement that the worker 'risks nothing', except 'the loss of his wages ... The worker does not hand over anything of a material nature' (Storch, *Cours d'économie politique*, St Petersburg, 1815, Vol. 2, pp. 36–7).

14. One example. In London there are two sorts of bakers, the 'full priced', who sell bread at its full value, and the 'undersellers', who sell it at less than its value. The latter class comprises more than three-quarters of the total number of bakers (p. xxxii in the Report of H. S. Tremenheere, the commissioner appointed to examine 'the grievances complained of by the journeymen bakers', etc., London, 1862). The undersellers, almost without exception, sell bread adulterated with alum, soap, pearl-ash, chalk, Derbyshire stone-dust and other similar agreeable, nourishing and wholesome ingredients. (See the above-cited Blue Book, as also the report of the select committee of 1855 on the adulteration of food, and Dr Hassall's *Adulterations Detected*, 2nd edn, London, 1861.) Sir John Gordon stated before the committee of 1855 that 'in consequence of these adulterations, the poor man, who lives on two pounds of bread a day, does not now get one-fourth part of nourishing matter, let alone the deleterious effects on his health'. Tremenheere states (op. cit., p. xlviii) as the reason why a 'very large part of the working class', although well aware of this adulteration, nevertheless accept the alum, stone-dust, etc. as part of their purchase, that it is for them 'a matter of necessity to take from their baker or from the chandler's shop such bread as they choose to supply'. As they are not paid their wages before the end of the week, they in their turn are unable 'to pay for the bread consumed by their families during the week, before the end of the week', and Tremenheere adds on the evidence of witnesses, 'it is notorious that bread composed of those mixtures is made expressly for sale in this manner'. 'In many English agricultural districts' (and still more in Scottish)

Whether money serves as a means of purchase or a means of payment, this does not alter the nature of the exchange of commodities. The price of the labour-power is fixed by the contract, although it is not realized till later, like the rent of a house. The labour-power is sold, although it is paid for only at a later period. It will therefore be useful, if we want to conceive the relation in its pure form, to presuppose for the moment that the possessor of labour-power, on the occasion of each sale, immediately receives the price stipulated in the contract.

We now know the manner of determining the value paid by the owner of money to the owner of this peculiar commodity, labour-power. The use-value which the former gets in exchange manifests itself only in the actual utilization, in the process of the consumption of the labour-power. The money-owner buys everything necessary for this process, such as raw material, in the market, and pays the full price for it. The process of the consumption of labour-power is at the same time the production process of commodities and of surplus-value. The consumption of labour-power is completed, as in the case of every other commodity, outside the market or the sphere of circulation. Let us therefore, in company with the owner of money and the owner of labour-power, leave this noisy sphere, where everything takes place on the surface and in full view of everyone, and follow them into the hidden abode of production,

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'wages are paid fortnightly and even monthly; with such long intervals between the payments, the agricultural labourer is obliged to buy on credit ... He must pay higher prices, and is in fact tied to the shop which gives him credit. Thus at Horningham in Wilts., for example, where the wages are monthly, the same flour that he could buy elsewhere at 1s. 10d. per stone, costs him 2s. 4d. per stone' (*Public Health, Sixth Report* of the Medical Officer of the Privy Council, etc., 1864, p. 264). 'The block-printers of Paisley and Kilmarnock' (Western Scotland) 'enforced in 1833 by a strike the reduction of the period of payment from monthly to fortnightly' (*Reports of the Inspectors of Factories ... 31 October 1853,* p. 34). As a further nice development from the credit given by the workers to the capitalist, we may refer to the method adopted by many English coal-owners whereby the worker is not paid till the end of the month, and in the meantime receives sums on account from the capitalist, often in goods for which the miner is obliged to pay more than the market price (truck system). 'It is a common practice with the coal masters to pay once a month, and advance cash to their workmen at the end of each intermediate week. The cash is given in the shop' (i.e. the tommy-shop which belongs to the master); 'the men take it on one side and lay it out on the other' (*Children's Employment Commission, Third Report*, London, 1864, p. 38, n. 192).

on whose threshold there hangs the notice 'No admittance except on business'. Here we shall see, not only how capital produces, but how capital is itself produced. The secret of profit-making must at last be laid bare.

The sphere of circulation or commodity exchange, within whose boundaries the sale and purchase of labour-power goes on, is in fact a very Eden of the innate rights of man. It is the exclusive realm of Freedom, Equality, Property and Bentham. Freedom, because both buyer and seller of a commodity, let us say of labour-power, are determined only by their own free will. They contract as free persons, who are equal before the law. Their contract is the final result in which their joint will finds a common legal expression. Equality, because each enters into relation with the other, as with a simple owner of commodities, and they exchange equivalent for equivalent. Property, because each disposes only of what is his own. And Bentham, because each looks only to his own advantage. The only force bringing them together, and putting them into relation with each other, is the selfishness, the gain and the private interest of each. Each pays heed to himself only, and no one worries about the others. And precisely for that reason, either in accordance with the pre-established harmony of things, or under the auspices of an omniscient providence, they all work together to their mutual advantage, for the common weal, and in the common interest.

When we leave this sphere of simple circulation or the exchange of commodities, which provides the 'free-trader *vulgaris*' with his views, his concepts and the standard by which he judges the society of capital and wage-labour, a certain change takes place, or so it appears, in the physiognomy of our *dramatis personae*. He who was previously the money-owner now strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but – a tanning.