A Marxian Reconstruction of the Theory of Currency and the Functions of Money Constituting it*

Pablo Ahumada

La Trobe University
School of Economics
Bundoora, 3086
Victoria, AUSTRALIA

Email: P.Ahumada@latrobe.edu.au

*I am grateful to Professor John King and Professor Pablo Levin for helpful feedback on this paper. Any errors in it, however, are the sole responsibility of the author.
A Marxian Reconstruction of the Theory of Currency and the Functions of Money Constituting it

I. Introduction

Marx (1859, 1867) was the first economist to conceptualise money as a necessary unfolding of the commodity-form of the product of labour, and the functions of money as necessary developments of the concept of money itself. In other words, he inquired into the immanency of money to the commodity form of production. His approach was, and still is, highly original, and his theory of money offers at one and the same time insight into the divorce between microeconomics and macroeconomics, and the conceptual foundation for working out their mediated unity. In this regard Marx (1859, 1867, 1885, 1894) has surpassed his Classical\(^1\) predecessors, as well as his Neoclassical,\(^2\) Keynesian,\(^3\) Sraffian\(^4\) and even most Marxian\(^5\) successors.

Marx’s (1859, 1867) contribution to the concept of money is grounded in his theory of the value-form of the commodity, which underlies the separation between the particular physical form of appearance of the commodity and the mercantile form of its value.\(^6\) However, if the commodity-form of the product entails a specific form of mercantile value (Levín, 1997), it also entails a specific form of mercantile use value (Levín, 1997), which is not identical with the immediate physical form of the commodity, and which Marx (1859, 1867, 1885, 1894) overlooked. As a result, his theory of money is lacking in some fundamental differentiations. For example, the function of

---

\(^1\) E.g Smith (1776), Ricardo (1817).

\(^2\) E.g. Walras (1874), Pareto (1906), Wicksell (1965), Hicks (1939), Patinkin (1956).

\(^3\) E.g. Keynes (1936), Davidson (1972).


measure of mercantile value tends to be conflated with that of money of account, and the fundamental function of measure of mercantile use value passes unnoticed, which impinges on his theory of the means of circulation. This paper conceptually reconstructs the fundamental functions of money giving rise to currency within the framework of the commodity, and spells out the structure of currency itself.

Section II argues that the private character of commodity production gives rise to money as the general measure of the mercantile value of commodities, and pinpoints the first universal, non-commodity requirement of the commodity: the need for a standard of price, which will necessarily become the monopoly of the State. Section III argues that since the role of seller and that of buyer are different, and entail two consecutive yet opposite relations of production for the commodity producer, money plays a distinct function when in the hands of the buyer. This function is that of general measure of the mercantile use value of the commodity. Section IV points out that due to the dissociated character of commodity production, commodity producers are forced to ideally unify the conditions of reproduction of their own conditions of life. Money in its function of money of account provides an individual, private objectification of money as the means to effect this unity. It achieves this as the immediate unity of measure of mercantile value and measure of mercantile use value, whereby it emerges as the opposite of actual money. Section V makes the point that money can become the means of circulation only as the unity-in-difference of measure of mercantile value and measure of mercantile use value, which turns money into currency. The determination of the necessary quantity of means of circulation and of its velocity of circulation is discussed, as well as the substitution of instruments of circulation for money, which highlights another specific function for the State but also the State’s intrinsic powerlessness to control money. Section VI offers the conclusions.
II. Measure of Mercantile Value

To be the measure of the *mercantile value* (Levín, 1997)\(^7\) of commodities is the fundamental function of money; it is what defines the innermost content of money and thus its very meaning. All other functions of money are developments of this one and re-combinations thereof.

Commodity production is carried out on account of private and formally independent producers. Therefore, in principle they can merely express their desire and availability to establish a relation of production, which they do by offering the product of their labour for sale or, what is the same, by giving it the form of a commodity.\(^8\) In other words, commodity producers will have to temporarily suspend their role of *homo laborans* (Levín, 1997), or workers, and pick up the role of *homo mercator* (Levín, 1997), or traders – in this instance, the specific role of sellers. This turns the product of their labour into an ordinary commodity. An ordinary commodity can only be offered by quoting a prospective realisation value for it relative to a different ordinary commodity, making the latter the equivalent of the market value of the former, and turning the latter into a commodity-product. As a commodity-product, it is directly exchangeable with the ordinary commodity. When all ordinary commodities express their own market values as quantities of the same particular commodity-product, they do not only turn the latter into a universal commodity, or money, but also quantities of it into the measure of the mercantile value of the different commodities. The measure of the mercantile value of commodities can be nothing but the measure of the market value of the particular products which the different commodities take as their own particular, physical form of appearance or, equivalently, the measure of the market value of the ordinary commodities offered for sale.

---

\(^7\) The concept of *mercantile value* was introduced by Levín (1997) in order to account for the unfolding of commodity-value into *market value* and *intrinsic value*. The latter is constituted *ex post* and through the mediation of the former, while at the same time it is the former’s content.

\(^8\) Whether this relation is actually established is a contingent *ex post* result, and as such, outside of the direct control of commodity producers.
The measure of the mercantile value expressed by a commodity is its price-form. Since differences in mercantile value are just quantitative, only the measure of the quantity of mercantile value expressed by an ordinary commodity can determine whether this quantity is merely an expression – a mere wish – or the actual quantity of mercantile value of this commodity. In other words, only the measure of the mercantile value expressed by a commodity can determine whether this specific quantity of the money-commodity is just a nominal expression of the mercantile value of the commodity or its effective universal form. The reason is that this measure – together with the measure of the market value of all other ordinary commodities – determines the comparative advantage of commodity producers. This, in turn, determines whether commodity producers, including the seller of this particular ordinary commodity, should continue reproducing the same particular products they have just crafted, or whether they should switch to a different branch of the commodity division of labour. It is only within the structure of reproduction of the products of labour that the social use value of the existing items of material wealth at a given point in time is determined. In this roundabout way, the measure of the mercantile value of a commodity determines both the use value as a commodity of the particular commodity-product put in the position of universal equivalent and the use value as a good of the ordinary commodity expressing its mercantile value relative to this money-equivalent.

If the social use value as a good of the particular ordinary commodity is bigger than or equal to the social use value as a commodity of the money-equivalent of the former’s mercantile value, this ordinary commodity will be sold, and its producer will manage to have the mercantile value of his or her commodity realised. Otherwise, the ordinary commodity will be unsaleable, and its producer will fail to realise a market value for his or her commodity. The commodity producer will have to decide whether to quote a new, lower price for his or her ordinary commodity or to withdraw it from the market altogether if at the lower price it becomes a use value as a good to the commodity producer him- or herself. If the ordinary commodity is plain unsaleable, it means that it is useless as a good – mere social waste – and thus useless as a commodity to its owner. His or her labour would
have been wasted. Therefore, as the measure of mercantile value, the money-commodity acts both as the objective measure of the mercantile value expressed by any commodity, and as the actual measure of the mercantile value of the commodity when the particular product in which it is embodied is effectively turned into the money-equivalent expressed by its price. In the latter case, the commodity effects its first transformation: sale, noted as C-M (Marx, 1859, 1867), where C stands for ordinary commodity, namely the particular product in which the producer’s commodity is embodied, and M for its money-equivalent, i.e. the quantity of the money-commodity which constitutes the effective measure of the mercantile value of the former.

When the producer’s ordinary commodity is sold, he or she fulfils the role of seller and establishes his or her first social relation of production: the relation with the particular buyer of the ordinary commodity he or she had offered for sale. Through its sale, this particular product is realised as part of the social product, and the commodity producer’s labour is objectively acknowledged as part of the social labour, whereby the commodity producer acquires the status of producer. The product of his or her labour has proven to be useful to someone else but not directly to him- or herself, so it becomes socially valuable as the money-form of the producer’s commodity. That is, because useful to someone else, the producer’s commodity now represents labour not just to him- or herself but to everyone else, and it does so not in its original particular form but in the universal form of money. Thus money has become the actual measure of the quantity of labour society needs to give away in order to take this particular commodity-product off the market for use; i.e. money has become the effective measure of the mercantile value of the commodity.

In order to perform the function of measure of mercantile value, actual – and not merely ideal – money is necessary, either as the quantity of the money-equivalent that the ordinary commodity has been effectively turned into or as the quantity of money the commodity has failed to become.9

9 Marx (1859, p. 79[1904]: 1867), in contrast, claims that money as a measure of mercantile value is only ideal, and conflates this function with that of money of account. His confusion arises from assuming that commodities are
Without objectively asserting its mercantile value as an actual quantity of the universal equivalent, the commodity would be unable to acquire any particular form of mercantile use value (Levín, 1997), and it would remain useless not just to others but to the commodity producer him- or herself. As the general measure of mercantile value, the commodity-product erected as the money-commodity acquires a use value as the particular form of existence of the mercantile value of commodities. This use value is one-sidedly universal and formal in nature, and exists alongside the use value of the money-commodity as a good.

In sum, the commodity becomes social only by realising a value, and the measure of mercantile value is instrumental to this effect, since in ascertaining the potential stead of the particular ordinary commodity in the social product, it determines whether this product is part of the social product, as well as its effective stead in it.

II.1. The Standard of Price

The emergence of a universal money-equivalent out of commodity production in the form of the general measure of the mercantile value of commodities makes it necessary to standardise the unit of measurement of the money-equivalent itself (Marx, 1859, 1867). If every time an ordinary commodity was sold, it was necessary to ascertain the actual quantity of the money-commodity given away as the realised measure of the mercantile value of the commodity, commodity production would never take off.

The concept of mercantile use value was introduced by Levín (1997) to account for the unfolding of commodity use value into market use value and intrinsic use value, which is the differentiation of the use value of the commodity as a good from the use value of the same good as a commodity. Intrinsic use value is constituted ex post through the mediation of market use value, but is the content of the latter.
The establishment of a standard of measurement is a matter of convention. As such it requires a
direct agreement among the parties involved – forced or otherwise – as to which quantity of the
item of interest constitutes the standard unit. However, commodity production intrinsically rules out
the possibility of such direct agreement among commodity producers, since they are not only
independent of one another but also indifferent and strangers to one another. A form of polity is
required to set a socially recognised standard of measurement of the money-equivalent itself. This
duty will be entrusted to the State, which the commodity will constitute as a distinct and formally
separate sphere of direct relations of power. In other words, commodity production imposes a one-
sidedly universal, and thus non-commodity, condition for its existence.

The State will be in charge of establishing and safeguarding the standard unit of measurement of the
money-commodity, which therefore becomes also the standard of price. The State first does this by
putting an official stamp on pieces of the money-commodity of different sizes which ascertains their
content of money-material as quantities of its standard unit. The establishment of a standard of price
gave rise to the wrong notion that the money-commodity has two mercantile values: a ‘mint price’ –
set by the State at its own discretion – when bearing the State’s stamp, and a ‘market price’ as
bullion (Marx, 1859, 1867). The latter would be given by the number of stamped pieces of the
money-commodity of the standard unit of denomination that have to be surrendered for a standard
unit of quantity of itself. However, because money is the general measure of the mercantile value of
commodities – that is, the form in determined quantities of the expression of the mercantile value of
all ordinary commodities –, it is unable to express its own mercantile value. It cannot have a price,
let alone two. The State can no more set the mercantile value of money than it can set those of
ordinary commodities, regardless of whether the standard of price is legally set as a quantity of the
money-commodity or not. Nor can the State give rise to money, since money is the autonomous,
objective social outcome of the process of commodity circulation, itself the social moment of
commodity production. The divergence between the ‘mint price’ of money and its ‘market price’ as bullion merely reflects the fact that a standard unit of the money-equivalent contains a different quantity of this money-commodity than the original standard (Marx, 1859, 1867).

III. Measure of Mercantile Use Value: Means of Purchase

Once the commodity has attained the universal form of its mercantile value as a determinate quantity of the money-commodity, it becomes a particular form of mercantile use value – one-sidedly formal in nature – as the particular embodiment of universal mercantile value. The commodity is now ready to acquire the particular form of its intrinsic mercantile use value, that is, to become useful as a means of enjoyment or of labour. In other words, the commodity producer is ready to play the role of homo mercator again, this time as a buyer.

The commodity – now in its money form – unfolds again, this time as a result of the unfolding of its mercantile use value. In the form of an actual quantity of money – or as the universal commodity – the commodity now appears as the general form of its mercantile use value, while all other particular ordinary commodities for which it could be exchanged at the going prices are the potential, alternative particular forms of its mercantile use value. However, the particular form that the mercantile use value of the commodity will take on will remain undefined, unless the commodity’s own mercantile use value can be measured. The money-form of the commodity plays the role of such a measure when all other ordinary commodities express their own market values as determined quantities of the money-commodity. This will lead the commodity producer to re-assess his or her comparative advantage, which will re-determine his or her specialisation in the commodity division of labour, and therefore the use value to him or her of all ordinary commodities at the going prices.

Through seignorage, which originally could only take the form of debasing of coinage, the State merely changes the standard of price, not the market value of money.
The money-form of the producer’s commodity is the proceeds from the sale of the ordinary commodity, and presents the form of a budget constraint to the commodity producer. As a measure of the potential mercantile use value of the producer’s commodity, this constraint will determine the effective particular forms that the mercantile use value of the producer’s commodity will take on. The money-form of the commodity will also measure the mercantile use value of each particular form that the producer’s commodity is turned into as it purchases these particular commodity-products. Besides, it will determine the share of the money-form of the producer’s commodity that is kept in its own shape as the particular form of existence of the unspent mercantile value of the producer’s commodity. Therefore, when the money-form of the producer’s commodity is turned into the particular forms of its mercantile use value, money, as actual money, plays the role of effective measure of mercantile use value, denominated in the standard unit of measurement of the money-commodity.

When money plays the role of effective measure of mercantile use value, the commodity producer establishes his or her second relation of production, this time as a buyer, and the commodity producer now acquires the status of consumer. Purchase will be noted as M-UVp, where M stands for the money-form of the commodity, and UVp denotes the particular form of the commodity’s mercantile use value. The producer’s second relation of production as a buyer will most likely break down into a series of purchases. In other words, it will be a series of relations. Through its conversion into the particular forms of its mercantile use value, the commodity finally becomes part of the social product. Now it is not just useful to others, as it was when it was only an ordinary commodity, but also useful to its owner. The particular forms of the mercantile use value of the commodity will serve its producer as means of labour or of enjoyment, and will allow him or her to continue reproducing the material conditions of his or her life. In other words, the labour of the commodity producer becomes not only useful to others in its particular form of application, but it

---

12 This includes the quantity of the money-commodity that he or she will keep as a direct means of labour or of enjoyment or, equivalently, the quantity he or she will use as a good.
finally becomes useful to him- or herself in the transformed particular forms of the products that he or she has been able to trade the product of his or her labour for. Therefore, the commodity dies its mercantile death and vanishes from the market, because it has been re-born as a particular social product for use. C, M and UVp are distinct internal moments at different points in time of one and the same commodity.

If money functions as the measure of the mercantile use value of a commodity when the commodity is in its money-form, it is only because and insofar as it is the measure of the mercantile value of all ordinary commodities, and because it has been the effective measure of the mercantile value of this commodity before. Therefore, the function of money as the general measure of the mercantile use value of the commodity springs from its function as the general measure of mercantile value in two senses: as the flip side of the measure of the mercantile value expressed by all other commodities, and as the result of this commodity having already had the effective measure of its own mercantile value ascertained as a quantity of the money-equivalent. The measure of the mercantile use value of a commodity is distinct and generally different from the measure of its mercantile value because these functions of money are performed in relations of production that not only entail a relation with different actors but which are also qualitatively different. That is, money is a variable measure. The eventual equality in equilibrium of these two measures has to be the mediated result of their immediate inequality. At the same time, the measure of the mercantile value expressed by an ordinary commodity becomes its effective measure – and thus its money-equivalent becomes the form of the mercantile value of this commodity – only if this measure is the effective measure of at least part of the mercantile use value of some other commodity whose mercantile value has already been realised as a quantity of money. In other words, the measure of the mercantile value of a commodity becomes effective only if the ordinary commodity in which it is embodied is the

\[13\] Marx’s (1859, p. 107[1904]) argument to the contrary rests not only on the assumption of exchange at values, but also on the assumption of unvarying conditions of commodity reproduction in the short term.
particular form of part of the mercantile use value of another commodity existing already as a quantity of money. Thus money becomes the means of purchase, or purchasing power.

IV. Money of Account: the Immediate Unity of Measure of Mercantile Value and of Mercantile Use Value

Commodity production needs commodity exchange as the specific form of circulation of wealth, and commodity exchange is formally separated from the process of the crafting of the commodity, which is carried out privately and independently. Therefore, the specific product of commodity exchange as the social moment of commodity production is money as the universal form of the commodity, or, equivalently, of the mercantile product. In a global and atomistic system of production money necessarily becomes the measure for every individual decision. As the general measure of mercantile value, money will determine the specialisation of commodity producers in the commodity division of labour. In its role of general measure of mercantile use value, in contrast, money determines the purchasing decisions of individual commodity producers. It becomes the means to put the heterogeneous world of the products of all particular forms of work at the disposal of the individual commodity producer as certain quantities of the producer’s own labour. As a result, the needs of commodity producers become as multi-faceted as their work becomes specialised.

However, commodity production has broken up the immediate unity of production into labour process and commodity exchange, and thus separated production from consumption or, what is the same, labour from its uses. As a result, commodity production not only breaks up the immediate unity of the process of reproduction of the commodity producer’s material conditions of life, but, through this split, it also breaks up the unity of the immediate process of labour itself. Not only the means of enjoyment of the commodity producer come from the labour of other commodity producers but also his or her means of labour. Likewise, the commodity producer’s own labour might be used to craft means of enjoyment for other commodity producers or means of labour for
them. Else, it might be used at least partly as a means to reproduce the commodity producer’s own material conditions of existence. It is from the function of money in its role of general measure as the means to objectively overcome the immediate divorce within the process of production and that of labour itself, as well as from the actual immediate divorce of these processes as a result of the commodity form of production, that the function of money as money of account arises.

There is only one way for the formally isolated commodity producer to specialise according to his or her comparative advantage effectively. He or she has to impute money values to the projected products of the different feasible forms of application of his or her labour during a set period of time, given an expectation of prices at the time of sale. He or she also has to impute a money value to all the products he or she is currently holding as means of labour or of enjoyment, including unfinished products, and to find out the market prices of the alternative sets of inputs that he or she would have to purchase in order to craft the alternative sets of products within his or her own technical domain. Only if the commodity producer has imputed these money values accurately will he or she be able to play the role of homo laborans to the best of his or her advantage, which necessarily means that he or she will play the role of homo mercator to the best of his or her advantage throughout the process.

Accurately imputing these money values, as well as finding out the market prices, will allow the commodity producer to specialise in making that product or set of products which, for a given time of work, will render the difference between the proceeds from sales and the costs the biggest. Costs will appear as the imputed money equivalent of the portion of each commodity-product purchased and of each of the means of labour already in possession of the commodity producer to be used up in the process of labour. The difference between proceeds and costs will go into buying the commodity producer’s means of enjoyment. For the decision-making process to be effective, imputation has to be continuous and iterative, since the process of reproduction of the material conditions of life of the commodity producer is continuous and market prices are continually
changing. What was an intrinsic use value to the commodity producer today, and remained in his or her hands, might be a commodity tomorrow, that is, the means to acquire what at the new prices are intrinsic use values to the commodity producer. Likewise, what was a commodity today might be an intrinsic use value to the commodity producer tomorrow.

Money develops its function of money of account as a result of the general measure of the mercantile value of the commodity and the general measure of its mercantile use value being collapsed into an immediate unity. However, commodity production is in fact the negation of all immediate unities, and thus of the direct social character of the product of labour and the commodity producer him- or herself. It therefore gives rise to money as an internal differentiation of the commodity, and officiates as the necessary, objective link between the social value and the social use value of the social product, which fall apart as soon as this product takes the commodity-form. The roles of homo laborans and of homo mercator are themselves the ensuing objective internal differentiations of the role of commodity producer, and the opposite of each other, so it is a concrete impossibility to play both roles simultaneously. It is due to the indirect and differentiated character of commodity production that money develops its function of money of account, and that money of account can be nothing but ideal. In constituting a projection of commodity production that is its very opposite, money of account can be nothing but the opposite of actual money, or anti-money, as it were. In other words, as the immediate unity of the basic unfolding of money as measure of mercantile value and measure of mercantile use value, money of account can be nothing but a determinate negation of actual money – its objective suspension.¹⁴

The suspension of actual money by individual commodity producers, and its reconstitution as its opposite, is not irrational or fanciful but necessary. In a system of production whose general social

¹⁴ Marx’s (1859, 1867) conflation of the measure of mercantile value with money of account stems from his not having distinguished the former from the measure of mercantile use value as a necessary unfolding of it, and the ensuing dialectic of these measures as the foundation of the structure of the functions of money.
link is the universal form of the product of labour, individual commodity producers have to bring down all of their choices and decisions of production to quantities of money. Furthermore, they have to assume that at the expected prices and imputed money values, their decisions of work and exchange will be directly social. Otherwise, they would be paralysed by the sheer uncertainty surrounding the realisation of the product of labour crafted privately and independently. Therefore, money of account is the objectification through which commodity producers individually restore the unity of production that the commodity destroyed. It is restored at one and the same time as an immediate unity and in its commodity form. This restored individual unity of production entails the unity of production and consumption, that is, of labour and its uses, and therefore also that of the immediate process of labour. In other words, the individual unity of production allows the commodity producer to re-instate the unity of his or her role as homo laborans and that as homo mercator, that is, his or her unity as a real commodity producer.

Nevertheless, while individually assuming the immediate unity of commodity production, commodity producers have to keep the formal distinction among the different roles they play, since though their forecasts might be totally fulfilled, they know that they can only relate to other commodity producers through selling and buying. Thus money of account becomes the means to restore the unity between the individual commodity producer and his or her conditions of labour and subsistence. Otherwise it would be impossible for the commodity producer to allocate his or her labour capacity and the product of his or her labour, either to direct or indirect uses. Through the mediation of money as money of account, the commodity producer is permanently reviewing his or her position in the commodity division of labour, and in his or her mind directly turning his or her particular items of wealth which are no longer intrinsic use values to him or her into new forms which are. In the case of capital, the importance of the function of money as money of account could not possibly be overemphasised. Since absolutely every moment of the capitalist process of labour is nothing but a particular form of mercantile use value to capital, capitalist production
would be impossible without money of account, because it is the key to accurately estimating the discounted return on every single item making up capital.

Money of account is an immediately individual, and thus private, objectification of money, and thus the yardstick by which all decisions of labour and exchange are made. It is not there to be the actual form of the means of labour and enjoyment of the commodity producer, but to indicate which particular products would be means of labour and of enjoyment to the commodity producer, and which ones means of exchange. In other words, the function of money of account is for each individual commodity producer to be able to give the use of their own labour capacity, and thus of the particular products comprising his or her endowment, determinacy – hence its ideal nature. Therefore, not even the best actuary in the world would be able to turn money of account into actual money.\(^\text{15}\) However, just because money of account is ideal, it does not mean that it is not real. Indeed, the commodity producer can impute whatever money value he or she wishes to the items of his or her wealth and to the projected product of his or her labour, but if he or she is off the mark, the reproduction of the material conditions of his or her own life will be endangered. In other words, money of account, or money as the immediate unity of measure of mercantile value and measure of mercantile use value, stems from actual money, or money effectively playing the function of measure of mercantile value and measure of mercantile use value alternately. It is a

\(^{15}\) A product is insured while it is kept in its particular form, and cannot be insured in its universal money-form. That is, the purpose of insurance is to cover the owner of a particular product against a contingency that might render this particular product useless, or detract from its use. The policy-holder is compensated by being paid a stipulated quantity of money – denominated in its own standard of measurement – that would allow the policy-holder to purchase particular commodity-products for a total price equal to this quantity of money without having to sell in order to fetch it from the market. In this instance, money of account is ideal in two senses. If the insured product is not damaged, the quantity of money this particular product is insured for is never turned into real money. If it is damaged, actual money will not appear as the result of a sale but of a lasting, private contract between two particular commodity producers, and there is no guarantee that the quantity of money the product is insured for will be the actual measure of the mercantile value of this particular commodity-product at the time the insurance is paid out.
necessary projection of actual money, and thus of the actual measures of mercantile value and of mercantile use value, into the private sphere of every individual commodity producer. Though commodity producers do not, and cannot, exchange while they are working and consuming the products of labour, they can only produce through, and thus work and live for, commodity exchange.

V. Means of Circulation, or Currency: the Unity-in-Difference of Measure of Mercantile Value and Measure of Mercantile Use Value

It is because all commodities express their own mercantile values as quantities of one and the same particular sort of commodity-product that this product becomes the money-commodity and thus the general measure of the mercantile value of commodities. It is because an ordinary commodity has already been sold and thus turned into a determinate quantity of the money-commodity that this quantity was the effective measure of the mercantile value of the commodity embodied in this particular product, and is now the social form of existence of the commodity’s mercantile value. Only now can this quantity of money play the role of general measure of the commodity’s mercantile use value – namely the role of purchasing power – and purchase the particular commodity-products that will become the particular forms of the commodity’s mercantile use value. In its function of means of purchase, money will realise the respective mercantile values of the ordinary commodities it purchases, and in so doing become the effective measure of their own mercantile values.

Therefore, the commodity becomes part of the social product through two types of relations which are opposite to each other and are held by the commodity producer with two or more other particular commodity producers, depending on whether the proceeds from sale are spent on one other particular commodity-product or more. These acts are sale (C-M) and purchase (M-UVp), the latter hinging on the former. Through sale the commodity becomes universally valuable, because it is useful to someone else. Through purchase the commodity becomes socially useful, because it has
now become not just useful to others but, in its transformed shape, useful to its producer too. As the restored unity of value and use value in the form of mercantile value and mercantile use value, the commodity becomes a particular social product ready for use. The unfolding of the commodity into ordinary commodity, money and particular commodity-product, which are the forms it alternately and successively plays, are the objective social mediations through which the commodity fulfils its social mission. The money-equivalent of the commodity – always appearing as a determinate quantity of the money-commodity – is the objective universal link between the two relations of production necessary for the commodity to become part of the social product. As the unity-in-difference of the measure of the mercantile value of the commodity and the measure of its mercantile use value, money acquires the function of means of circulation, or currency, and the life cycle of the commodity appears as C-M-UVp, or sale followed by purchase.

Money in its function of currency allows the material wealth of society to circulate. It is the means through which particular commodity-products move from hands in which, at the going prices, they are non-use values – i.e. commodities – into hands for which they have use value as goods – that is, hands in which they are the particular forms of the mercantile use value of these producers’ commodities. Since production is nothing but work for others, it rests on the products of labour making their way from their crafters to their users, and in the commodity form of labour, this can only be achieved through the market. Furthermore, the process of circulation of the items of material wealth from their makers to their users takes the form of the movement of a given stock of wealth and entails the re-definition of the users of the existing particular products through the change of market prices.\(^\text{16}\) In other words, it takes the form of pure circulation, but pure circulation only gains meaning as a moment of an atomistic mode of work for others. Commodity circulation, however, is a misnomer, since the commodity never leaves the hands of its owner but is transformed until it eventually becomes useful as a good to him or her. Nor do ordinary

\(^{16}\) This includes the possibility of a particular type of commodity-product making its way back to at least one of its makers because, at the new prices, it has become an intrinsic use value to him or her.
commodities circulate, since they always move away from the market into hands in which they are useful as goods in order to be consumed. The only thing that circulates in commodity production is money.

The commodity is the objectified form of the commodity producer’s relation of production, and because this relation is impersonal, random and fleeting, the commodity producer will not let go of his or her commodity until it has fulfilled its function for him- or herself. In an atomistic system of production, nobody will give away something useful to someone else, unless they receive something useful to themselves in exchange. In its immediacy, the commodity is an external, useless object. However, because it is embodied in a determinate quantity of a particular product, this product might be useful to someone else at its price, and the commodity would rouse particular interest as a result. In the form of its money-equivalent, in contrast, this commodity will rouse the interest of absolutely every commodity producer. If the ordinary commodity had not yet overcome its particularity, by attracting somebody’s interest it becomes the means to overcome all particularity.

In its universal form, however, the commodity is not directly useful to its owner, but becomes the means to turn it into any particular mercantile product that, at the going prices, might be directly useful to him or her. Nonetheless, the extent of the commodity’s usefulness to its owner will be limited by the quantity of money it now is. The crafters of the particular mercantile products that rouse the interest of the money owner would be able to claim compensation in order to give them away, whereby their own commodities would attain universal form. When the process of transformations of the commodity is completed, its owner ends up with a social product in his or her hands, or equivalently, the immediate unity of universality and particularity. The social product is a particular instantiation of universality, or a universal instantiation of particularity, in the sense that it is useful because it is both particular and a moment in the general process of reproduction of the material conditions of life. Thus the commodity is a system of production in which the relation
of production has to be taken hostage, first in its particular form, and then in its universal form, in order to be able to demand ransom in a universal form followed by a particular form respectively.

Therefore commodity exchange is anything but a mutual exchange of particular forms of intrinsic mercantile use value; it is not a mutual exchange of goods.\(^{17}\) This feature of the means of circulation has misled most economists into seeing money as a mere conventional instrument to overcome the encumbrances of barter. In fact, money in its function of currency is the means to overcome the contradiction that commodity exchange is always an act of barter in form, namely a mutual exchange of a particular form of mercantile use value for another, while it is the exact opposite in content. In commodity exchange, an intrinsic, and thus ever-changing, mercantile use value is exchanged for a formal, universal mercantile use value, which is always represented by the same particular type of commodity-product. While the latter commodity-product makes the commodity of the seller social at all by becoming the general form of this commodity’s mercantile value, the former completes the process through which the buyer’s commodity – already social – becomes socially useful.

Despite Marx’s (1859) claim to the contrary, in the ends of the cycle C-M-UVp, we do not have two values of the same magnitude. Nor do we have two particular forms of social use value of the same magnitude, or even two market values of the same magnitude, despite these market values having been represented by the same quantity of money in the life cycle of the commodity. Sale and purchase being two successive relations of production of a commodity producer with at least two other private commodity producers, such equality would only occur by change. As a matter of fact, C-M-UVp, is the objective social form of mediation through which all above equalities are

\(^{17}\) Such a form of exchange would be a fluke, and only the mediated outcome of the money-commodity becoming a means of labour or of enjoyment to the seller of the ordinary commodity, and having played the role of good in the hands of the owner of the money-commodity, who is now turning it into the particular commodity-product that the commodity producer is offering.
constituted as opposite yet complementary gravitational centres of the system of commodity production, endowing it with stability.

The process of commodity exchange, now understood as a differentiated moment within the process of commodity production, will give rise to a tendency for the measure of the mercantile value of commodities to converge to their respective measures of mercantile use value. This will be brought about through the convergence of the formal mercantile use value of the money-commodity, that is, its use value as the social form of the mercantile value of commodities, to its intrinsic mercantile use value, or its social use value as a good. In the limit, money in its function of means of circulation will become the mere external form of existence of money in its function of money of account, itself a private objectification of money turned social as the mere addition of private representations by virtue of the resulting equality between the formal and the intrinsic mercantile use values of the money-commodity. However, this equality will be merely the mode of existence of the constancy of the market value of the commodity, and hence of its market use value, throughout its cycle of transformations. Nevertheless, if the market use value of the particular commodity-products – or their use value as commodities – did not match their respective intrinsic use values – namely their use value as goods –, an objective tendency would arise in the market for the former use values to converge to the latter. In other words, the market would display a tendency towards a Walrasian equilibrium, which would keep shifting so long as exchanges in disequilibrium take place. In the limit, the measure of the mercantile value of commodities becomes not only the measure of their respective market use values but also the measure of the intrinsic use value of the ordinary commodity sold and of the particular commodity-products purchased with the proceeds from its sale. In Walrasian equilibrium, money becomes the measure of the intrinsic use value of the different commodity-products.

However, if in Walrasian – or market – equilibrium, the market value of the different commodity-products does not match their respective intrinsic values, the system of commodity production will
not be in equilibrium, as commodity producers would be changing their own specialisation in the commodity division of labour and thus reconstituting the structure of production itself. Through market disequilibria and separation of the measure of mercantile value from that of mercantile use value, an objective tendency will arise for the market value of the particular commodity-products to converge towards their respective intrinsic values. In the limit, money will be at one and the same time the measure of both the mercantile value and the mercantile use value of commodities, as well as that of the intrinsic use value and the intrinsic value of all particular commodity-products. This equilibrium, unlike the Walrasian equilibrium, would be dynamic.

The unfolding of the commodity into ordinary commodity, money and particular commodity-product, and the ensuing differentiation of money as currency, as well as of money of account as its private counterpart, are the objective mediations through which the law of mercantile value and the law of mercantile use value as a differentiated moment of the former assert themselves in commodity production. Nevertheless, the mercantile value and the mercantile use value of the commodity, though constituted indirectly and immediately separated from one another, at the same time underpin the differentiation of the commodity and of the functions of money themselves. The gravitational centres of commodity production are constituted through disequilibrium, and exchanges in disequilibrium have real effects. They may bring about changes in productive capacities that would change the mercantile value structure of the system and thus the very parameters within which the intrinsic use value of the different commodity-products is determined. This result debunks the doctrine of fixed preferences and unvarying utility functions, which is the basic tenet of neoclassical economics. The differentiation of the commodity is at one and the same time the objective mediation whereby value and use value impose themselves in commodity production and the effect of their taking the form of mercantile value and mercantile use value.
V.1. The Quantity of Currency

Marx (1859, 1867, 1885, 1894) highlights the endogenous character of money as money, and not merely as another ordinary commodity conventionally used to measure mercantile value (Ricardo, 1817; Smith, 1776), while at the same time points out that it is exogenous to every individual economic actor, including the State itself.\(^{18}\) However, he does not deal with the individual moment in the determination of the mercantile value of commodities and of the quantity of money in circulation as currency.\(^{19}\)

The stock of goods is given at any single point in time, including that of the particular commodity-product that has been allocated the role of money. However, this does no more determine the market value of money, and thus the ‘level of nominal prices’, than it does the relative prices of all other particular commodity-products.\(^{20}\) Money in its function of private money of account will determine which of the products in the original endowment of each commodity producer will be put up for sale, as well as in which amounts, and at which unit prices. Underlying the offer of ordinary commodities is the fact that the expected relative prices determine which particular ordinary commodities would be intrinsic use values to them, and that the proceeds from the sale of their own commodities is the only means to acquire these particular products. That is how the actual process of commodity exchange will start. The price of the ordinary commodities for sale will be the measure of the mercantile use value of the possible particular forms that the commodities whose

\(^{18}\) See Levín (2010).

\(^{19}\) Therefore, his view is mistaken for that which takes the market values of commodities as an \textit{ex ante} given, with the quantity of the means of circulation passively adjusting to this (Campbell, 1997, 2005; Likitkijsomboon, 2005; Moseley, 2005; Reuten, 2005).

\(^{20}\) Even Patinkin (1956) and Arrow & Debreu (1954) concede that, given the preferences of individuals, and preventing exchanges at prices that would not simultaneously clear all markets, the relative prices of commodity-products depend on the total endowment of these products \textbf{and} their initial distribution. Money is no exception, since it is an otherwise particular commodity-product which could be used directly as a good.
mercantile value have been realised could take.\textsuperscript{21} This will determine the sorts and quantities of ordinary commodities to be bought, and hence the quantity of money necessary to perform the function of currency. Buyers themselves will bring this quantity of money to the market, which will realise the market value of the ordinary commodities actually sold.

In general these prices will not conform to a Walrasian equilibrium, which will bring about changes in the market values expressed by ordinary commodities, and corresponding changes in their relative net – or excess (Patinkin, 1956) – demands.\textsuperscript{22} The new expressions of the mercantile value of commodities will bring about a different structure of supply and demand for each individual commodity-product, and entail a different market value for the money-commodity. Commodity exchange will now require a different quantity of currency in order to take place, unless the change in the market value of the money-commodity is exactly offset by the change in the demand for the different commodity-products. The new prices to be realised and the ensuing quantity of currency might now conform to a Walrasian equilibrium, but this in no way means that all sorts of ordinary commodities would be sold, or, equivalently, Say’s Law. Walrasian equilibrium implies the equality of supply and demand, and is therefore an equilibrium concerning only the particular types of products sold.\textsuperscript{23} In other words, Walrasian equilibrium is limited by those commodities effecting their second transformation (purchase), and is not one-sidedly constituted by the commodities trying to effect their first transformation (sale).

\textsuperscript{21} This includes the money-commodity, which does not need to be sold; i.e. the money-material in the hands of both commodity producers that have held on to it as an intrinsic use value and of the producers of the money-commodity.

\textsuperscript{22} Some commodity producers will have been unable to turn their commodities into money at their original prices, while some others will have been unable to turn their money into the particular commodity-products desired because they will have sold out. Both aspects of disequilibrium need not, and in general will not, offset each other.

\textsuperscript{23} It only requires that all buyers are served at a single price per product and that every supplier of each particular sort of commodity-product receives the same price for it. An unsold ordinary commodity is offered to the market but, because it is not sold, it cannot be supplied to the market, and thus falls out of the parameters of the Walrasian equilibrium.
The variation in the existing quantities of the money-product playing the role of means of circulation can only spring from the varying quantities of this particular product that are intrinsic use values to their owners – i.e., useful as a good – at different commodity prices. Therefore, the varying market value of money can be nothing but the reflection of the changing use value as a good of a standard unit of the money-material.\textsuperscript{24} In sum, a change in the prices of commodities brings about a change in the structure and quantities of the ordinary commodities offered for sale, and in the structure and quantities of the commodity-products to be purchased at a point in time. The latter, in turn, will bring about a change in the quantity of currency necessary for the price of these commodities to be realised, and hence for these particular commodity-products to be circulated. Therefore, it is the market value of ordinary commodities that determines the sort and quantity of them that will manage to circulate, and thus the quantity of money necessary to play the role of means of circulation – just as Marx (1859, 1867) claimed –, and not the other way around. However, this argument does not require the market value of ordinary commodities and of the money equivalent to be determined \textit{ex ante}, or for all ordinary commodities to be sold. Indeed, the quantity of money playing the role of currency and its market value will vary, but only as a reflection of the variation of the use value of the money-commodity as a good.

The above argument points out that the series of transformations of the commodity is not deterministic, and not just because the realisation of the price of an ordinary commodity is uncertain \textit{ex ante}. A change in the prices of the commodities can turn the universal equivalent of a commodity from the mere general form of its mercantile value into the particular form of its mercantile use value, or, put differently, from the universal equivalent into a good. Likewise, a change in prices can turn the money-commodity from an intrinsic use value into a market use value as the universal commodity. This transformation would occur regardless of whether this commodity becomes a means of circulation in the hands of the commodity producer that has just sold his or her ordinary

\textsuperscript{24} The sources of variation in the intrinsic use value of the money-commodity are the same as those for any other commodity, viz. a change in its individual allocation and changes in the structure of material reproduction itself.
commodity, or the particular form of the mercantile use value of his or her commodity – namely a good. Given a fixed stock and composition of material wealth, this permanent re-determination of the cycle of transformations of the commodity increases or decreases the quantity of the means of circulation as required. Ceteris paribus, an increase in the market value of the money-commodity increases its formal mercantile use value at the expense of its intrinsic mercantile use value, causing an additional quantity of a given stock of the money-commodity to be regarded as a means of purchase in order to restore the equality between its two types of use value. The converse is the case with a drop in its market value. When an additional quantity of currency flows into the market, it is the result of the holders of the money-commodity regarding it as a commodity – the only immediately universal commodity – whereas a decrease in its quantity is the result of its non-holders regarding it as a good.

V.2. The Velocity of Circulation of Currency

While the quantity of money circulating as currency at any given point in time is determined by the sum of prices to be realised at that point in time, ceteris paribus the sum of prices to be realised simultaneously is determined by the velocity of circulation of currency. In C-M-UVp, the realisation of the mercantile value of a commodity is the realisation of at least part of the mercantile use value of another commodity, and the realisation of the mercantile use value of the first commodity is the realisation of the mercantile value of at least one other commodities. Therefore, a piece of currency realises the mercantile value of several commodities, and will not stop until it is withdrawn from circulation as a good. The number of prices it can realise in a certain period of time constitutes its velocity of circulation.

Money in its function of currency interlaces the cycle of transformations of several commodities, while it also has to realise the mercantile value of several commodities and the mercantile use value of several others at the same time. This is due to the fact that even though mercantile value and mercantile use value constitute a homogeneous space, they can only exist through the
heterogeneous world of realised ordinary commodities and of the particular forms of mercantile use value respectively, the one being the flip side of the other. Since labour is the universal moment of particular, heterogeneous types of work, production means that the product of certain types of work will be needed by the crafters of certain types of ordinary commodities, whose particular products will in turn furnish the crafters of other particular types of ordinary commodities. However, because needs have as much a particular moment as they have a general social one, a commodity producer will need some of the particular products of labour of several commodity producers at a time, and also to sell several ordinary commodities at a time. That is, certain products are needed at a particular time in combination with some particular others. Moreover, several commodity producers would need to buy simultaneously, which means that several will need to sell simultaneously. While the commodity division of particular work processes will increase the velocity of circulation of currency, the concurrence of needs will slow it down.

The actual velocity of circulation of currency depends on the degree of development of commodity production, that is, on the degree of development of the commodity division of labour. For a given sum of prices, significantly more currency is needed – either electronic or otherwise – in a monthly town fair than in continuous trading within a spontaneously arisen supply chain. In other words, the more developed the commodity relation of production is, the more commodity producers depend on one another and, as a result, the more commodity production resembles a permanent flow of matter fashioned in a useful form, and the less it is like an accumulation of stock to be traded in the next fair. However, the velocity of circulation of currency will also be affected by the contingent character of the realisation of the prices of commodities. If some commodities find it harder to realise a market value, the velocity of circulation of currency will decrease, and there will be less mercantile value realised per unit of time. Quantity of currency will have to substitute for velocity, since a given quantity of currency will now realise a smaller sum of prices. The fact is thus highlighted that the higher the development of commodity production, and hence the higher the velocity of circulation of currency, the more vulnerable commodity production will be to itself,
since the interruption of the cycle of transformations of a commodity will interrupt that of several others, sending ripples throughout the system. In this regard, the relatively higher quantity of currency in a less developed system with lower velocity of circulation of currency acts to some extent as a buffer against such shocks.

The development of commodity production deepens the commodity relation of production by interlacing commoditised work processes ever more, thus increasing the velocity of circulation of currency. At the same time it widens the commodity relation of production by giving rise to an ever wider differentiation of commoditised processes of work, which increases the quantity of currency necessary. The final effect on the quantity of currency will depend on the weight of both tendencies relative to each other. That the sum of prices to be realised simultaneously depends on the velocity of circulation of currency does not contradict the theory of the quantity of currency of section V.2 above, but highlights the real character of money and the mutual mediation between the monetary and the physical aspect of commodity production. It does not take away the least bit of autonomy from the commodity, since velocity is determined by the degree of development of the commodity relation of production. To say that the sum of prices to be realised depend on the velocity of circulation of currency is to say that it depends on the degree of development of commodity production.

**V.3 Symbols of Money**

However suitable the particular commodity-product picked out as the money-commodity might be to play the role of universal form of mercantile value, and thus of general form of mercantile use value, it will never be good enough. As soon as it starts circulating as currency, it will gradually wear out, leaving no trace of mercantile use value in the wake of its consumption, since the money-commodity is not directly consumed as a means of labour or of enjoyment, but indirectly as a result of its formal mercantile use value. An ever-decreasing quantity of the money-material will stand for
the original standard of price or, equivalently, for the weight that the piece of currency had upon entering circulation directly from the mint.

When the worn piece of currency is not to be used as a means of circulation but to be swapped for its most suitable shape for storage as the social form of mercantile value, it will be converted into less metal than its stamp represents. This in no way means that the market value of money has unfolded. As a matter of fact, when the money-commodity in one shape is swapped for itself in another shape – say currency for bullion – it cannot claim more of itself than its weight’s worth. Ceteris paribus, this does not mean that the money-commodity has lost any mercantile value either, but that the standard of price, existing in the form of currency, represents more quantity of the money-equivalent than it contains. The official stamp that the money-commodity bears in its role of currency has become a mere symbol of actual money as measured by its own standard. Given the money-material, the pace at which pieces of currency wear out depends on their respective velocities of circulation.

However, money can become a symbol of itself as currency only insofar as it counts as the transient universal form of appearance of the mercantile value of the commodity, which soon will be turned into the form appropriate for its direct use. If commodity exchange is feasible only because actual money subsequently plays the role of general measure of mercantile value and of general measure of mercantile use value, from the point of view of the complete series of transformations of the commodity, money is a mere stepping stone. In the latter case the presence of actual money is unjustified. This is why worn pieces of stamped money remain in circulation as currency, whereas the pieces with full weight are taken out either as the universal form of the mercantile value of the commodity and turned into bullion or as the particular form of the mercantile use value of the commodity and turned into a shape adequate for its use. The distinction between money and currency constitutes the conceptual core of what has come to be known as Gresham’s Law.
Because of the private and atomistic character of commodity production, there is not much leeway for such a divergence between the representation of money and its actual presence. As soon as on average all pieces of currency of a certain denomination lose weight, the denomination will become the name for the new smaller quantity of the money-material they contain. Furthermore, because pieces of currency of different denomination have different velocities of circulation, this would also tip the relationship among the different standard quantities of money as determined by their standard unit of measurement. In order to prevent the spontaneous demise of the standard of price, which would at best hinder the development of the commodity form of production, the State will be forced to safeguard this standard. The State will do so by either making the circulation of worn out pieces of currency illegal and replacing them with units of full weight as commodity producers bring their bullion to the mint in order to be fractioned and stamped, or by regularly adjusting the standard of price so that it will gradually represent less quantity of the money-material. However, this will not reduce in the least the burden of commodity production on society in terms of the quantity of labour required to be spent unproductively in order to uphold the necessary circulation of money in its function of currency. From the point of view of the atomistic character of commodity production, this expenditure is necessary, but from the point of view of the completion of the transformations of the commodity, it is plain wasteful.

Commodity production now discloses another universal, non-commodity requirement for its feasibility: the availability of relatively costless instruments of circulation. Within the framework of the commodity, this can be nothing but another differentiated function of the State. The State will fulfil its new function, first by making worn units of the means of circulation legal tender, that is, by introducing auxiliary currency, and eventually, by supplying inconvertible tokens of money, either in the form of cheaper metals and paper or in that of electronic records. This lends further support to the illusion that the State can control money. However, State currency is worthless, both as an intrinsic use value and as an intrinsic value, and its mercantile value is derived from being the only legal representative of money – the universal commodity –, backed by the authority of the State. Put
differently, the mercantile value of State currency is not given as that of a self-standing commodity but derived. Thus State currency can only remain within the sphere of commodity exchange, because it is the only place where it is useful at all.

Even if State currency is inconvertible, the quantity of mercantile value represented by its denomination is given by the ratio of the quantity of the instruments of circulation to the quantity of money it represents. The latter can be none other than that required as a means of circulation, which, as discussed above, is itself determined by commodity exchange. State currency is a symbol of money because it represents actual money, namely the universal form of the realised mercantile value of those commodities which are ready to acquire the particular forms of their respective mercantile use values. Its relation to actual money will be determined by the quantity of money which is the actual equivalent form of these commodities. Thus, if there is such a thing as a quantity theory, it can be nothing but a quantity theory of inconvertible or debased currency, and it has to assume not just a Walrasian equilibrium but an unmoving long-term general system equilibrium, i.e. market values of commodities equal to their respective intrinsic values.

VI. Conclusion

Money arises as the consequence of commodity production being carried out privately and independently. Thus money appears as the general measure of mercantile value, which is its fundamental function, and which must be played by actual money. Through the act of sale the commodity becomes universally valuable, because the particular product in which it was embodied was useful to someone else. The function of measure of mercantile value requires the establishment by the State of a standard of measurement of the money-commodity itself. Because measure of the money-commodity, it becomes the standard of price.

The money-equivalent of a commodity is not directly useful, and the commodity producer will eventually have to turn it into particular forms of mercantile use value. Money now plays the role of
measure of the mercantile use value of the commodity and determines purchases. Through the act of purchase, the commodity becomes socially useful because it is now useful not only to others in its original form, but also to the commodity producer in the transformed shape of the particular commodity-products purchased. The measure of the mercantile use value of the commodity is generally different from the measure of its mercantile value, because they are measures in different relations of production.

The commodity breaks up the unity between the labour of the commodity producer and its uses. Money in its function of money of account is the necessary individual objectification of money in order to restore this unity and for the commodity producer to be able to allocate his or her labour capacity and to trade to the best of his or her advantage. As the immediate unity of measure of mercantile value and measure of mercantile use value, money of account is ideal, but real, in the sense that inaccurate individual valuation will lead to wrong labour and exchange decisions.

From the point of view of the entire cycle of transformations of the commodity, money is the unity-in-difference of measure of mercantile value and measure of mercantile use value, or currency. The commodity emerges as the relation of production in an atomistic system of production. Once it has become socially valuable and socially useful, it vanishes because it has become a particular social product ready for use, and thus fulfilled its social mission. The cycle of the commodity rests on the circulation of money as currency. The quantity of currency in circulation is determined by the movement of the commodity itself; therefore it is endogenous. However, the market value of commodities is not given ex ante but determined within the process of circulation. The velocity of circulation of currency, in turn, is determined by the degree of development of commodity production, whereby it becomes endogenous too.

If there is a quantity theory, it can only be a quantity theory of the instruments through which actual money circulates, and assuming not only a Walrasian equilibrium but a long-term system equilibrium. The former debunks the idea that the State controls money, while the distinction
between Walrasian and system equilibrium debunks the neoclassical dogma of fixed preferences. The reduction in the relative quantity of physical instruments of circulation in favour of electronic records, in turn, is compatible with the need to introduce ever cheaper instruments of circulation of money as currency, and with the fact that mercantile value is created not when the commodity is in its universal money-form but in the form of particular commodity-products.

References


