Assessing the debate on the commodity character of Marx's theory of money

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Abstract

The fall of Bretton Woods triggered a series of controversies regarding the character of Marx's theory of money and its validity to conceptualize the current monetary and financial system. The debate faced three different positions. First, one group of authors emphasized the commodity character of Marx's monetary theory. Second, others claimed that in Marx's thinking money is determined by its social functions and not by the physical commodity which supports it, and consider gold to be a historical contingency in the role of money, but not a theoretical or practical necessity. Third, some authors attempted to bridge the gap between the previous two, by arguing that while Marx argued that money must be a commodity, gold by historical reasons, he also explained how it was only ideally needed in some functions and how it could be replaced in the performance of other roles by 'symbols of value'

The three positions led to different conclusions in terms of the continuing validity of Marx's insights to conceptualize the monetary forms of the current era of 'fiat money' and 'flexible exchange rates'. They range from the argument that the theoretical importance of Marx's theory has been somewhat diminished or eliminated altogether since gold was replaced by intrinsically valueless state-issued paper to its continuing relevance without any changes; and from proposals to make some additions without a fundamental change to the core of the theory, to the need to systematically develop the determinations present in Marx's account instead of patching them.

The purpose of this article is to assess the internal consistency of Marx's theory of money when gold does not physically play the functions of money, with emphasis on *Capital*. However, the objective is not to conduct an exercise for the sake of Marxology –thus of plain exegesis- but rather to assess to what extent –if any- *Capital* can aid us to answer the questions of our time, in this case, to remain as the basis for an understanding of the contemporary international monetary system and the new monetary forms that come with it.

1. Introduction[1]

After the fall of the Bretton Woods system, we live in an international monetary and financial system characterized by some authors as an era of 'fiat money' or 'flexible exchange rates'.[2] In a common feature with previous big debates in the history of monetary thought, the changes in the monetary and financial institutions triggered a series of controversies in economic thinking. In particular, Marx's theory of money which, with few exceptions, was not the object of much debate before that (de Brunhoff, 2015; Foley, 2005; Mandel, 1976), saw the emergence of different attempts of theoretical renewal or update (Labrinidis, 2014b).

We can broadly distinguish three positions in the debate. First, some authors claim that Marx developed a 'commodity theory of money' (Mandel, 1976)[3] or was a 'theoretical metallist' as Schumpeter put it (Nelson, 2005). This interpretation leads to the conclusion that Marx's theory has not stood the test of time, its theoretical importance being somewhat diminished or eliminated altogether since gold was replaced by intrinsically valueless state-issued paper (Kennedy, 2000; Lavoie, 1986).[4] Foley (2005: 47-48) expresses this stand clearly when he argues that Marx's commodity-money argument is 'persuasive, but runs directly up against the observation' that today commodity money was replaced by fictitious government debt and that present efforts should not be directed to 'fit contemporary monetary institutions into the analytical categories we have received from Marx'.

Second, we find the symmetrically opposite stand, namely that in Marx's theory money needs not to be a commodity (Matthews, 1996). Moseley (2005) argues that most authors agree that money does not have to be a commodity in Marx's theory, even in its fundamental functions. In this approach, money is determined by its social functions and not by the physical commodity which supports it. In this sense, gold was a historical contingency in the role of money, but not a theoretical or practical necessity (Williams, 2000). Today, paper money itself is the universal equivalent and measure of value (Moseley, 2005) and gold does not even play a role in the determination of the 'monetary expression of labour time' (MELT) when money is inconvertible fiat (Moseley, 2011). As a consequence, these authors

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[1] I thank Magalí Brosio, Joel Rabinovich, and Cecilia Rikap for valuable comments on previous versions of this article. All remaining errors are my own.

[2] The fall of Bretton Woods as the point of reference is the most common choice in the literature (Caligaris & Starosta, 2016; de Brunhoff, 2005; Ivanova, 2013; Lapavitsas, 2017a; Mandel, 1976; Weeks, 2012). However, this is not uncontested. For example, some authors argued that the reliance of the monetary system on gold was broken before that since, in effect, the "gold standard" was a "pound sterling standard" (Foley, 2005; Vasudevan, 2009). A third position claims that gold started to lose its role as medium of pricing in the thirties (in UK in 1931, in the US in 1933) and that, by the end of the Great Depression in 1939/40 the era of global fiat money has already begun (Shaikh, 2016).

[3] Mandel (1976) is typically quoted as the author who argued that Marx had a commodity theory of money. While Mandel, in fact, denominates Marx's theory with that name, he by no means claims what is implicitly attributed to him. He makes very clear that in Marx's account gold becomes "more and more replaced by 'monetary signs'" (p. 77) and discusses bank notes as "reality as *representatives* of, and tokens for, precious metals." (p. 76). Thus, he will be an exponent of our third position rather than the first.

[4] It would also be possible to sustain that the present monetary system is still based on gold, so Marx's insight that money must be a commodity continues to be valid without any changes. However, I did not found any author who claims this position. This does not mean that there are not Marxist authors who seek to show the contemporary monetary role of gold, but their account is not as straightforward as presented by the first position. See, for example Labrinidis (2014a), Shaikh (2016) or Weeks (2012).

consider that Marx's theory needs not a fundamental change, but rather clarification or an actualization to explain the characteristics of the Post-Bretton Woods system as opposed to the gold standard.

Within this position, there are wide differences in the conceptualization of Marx's theory of money. Without being exhaustive, we could point out credit theory of money interpretations[5] such as the one proposed by the 'Italian Circuitist Approach' (Bellofiore, 1989; Bougrine & Seccareccia, 2002; Graziani, 1997), the 'form-theoretic' approach that conceptualizes money as a social form of value, a purely transcendental form without essential content (Reuten, 1988; Williams, 2000), and the rejection of Marx's theory of value in favor of starting from money such as the 'French monetary approach' of Benetti and Cartelier (Benetti, 1990; Benetti & Cartelier, 1998).[6]

Finally, the third position claims that, while Marx argued that money must be a commodity, gold by historical reasons, he also explained how it was only ideally needed in some functions and how it could be replaced in the performance of other roles by 'symbols of value' (Caligaris & Starosta, 2016; Lapavitsas, 2017a). As a result, the recognition that gold does not play the functions of money anymore is not necessarily inconsistent with his approach. In other words, Marx's fundamental insights remain valid, but the theory requires further development to explain the inner connection between the commodity character of money and contemporary concrete monetary forms.

The debate often overlaps two levels of analysis, or rather, it is actually two different debates. The first one is whether Marx's theory is internally consistent when gold does not physically play the functions of money. This dimension could be translated into the following question: does Marx's commodity theory of money allow for non-commodities performing the functions of money? If one believes that Marx did not claim that gold had to be physically present in the role of money, the fall of the Bretton Woods system poses no problems at a high level of abstraction. However, if it is sustained that Marx thought that gold must be physically present, then the fall of Bretton Woods places problems at the very core of the theory or requires to show how gold continues to play a monetary role today.

The second dimension concerns the understanding of current monetary forms. Regardless of the position adopted in the first debate, the problem of how to conceptualize the current international monetary and financial system and its instruments remains. In this case, the main problem is how to conceptualize banknotes issued by central banks. They have been presented as 'representatives of and tokens for precious metals' (Mandel, 1976: 76), as 'credit money, qualitatively different from fiat paper money' (Lapavitsas, 2017b: 32), as 'an alloy form of money that enhances the properties of credit money with those of legal tender' (Labrinidis, 2014: 11) and as 'a fictitious capital, the liability of the state' (Foley, 2005: 45). However, most scholars agree that the second discussion is analytically posterior to the first one, in so far as it requires the introduction of capital, credit, and fictitious capital. These elements exceed the scope of this article and will be the focus of a future contribution.

The purpose of this article is to contribute to the first debate, by assessing the internal consistency of Marx's theory of money when gold does not physically play the functions of money, with emphasis on *Capital*. However, the objective is not to conduct an exercise for the sake of Marxology –thus of plain exegesis- but rather to assess to what extent –if any- *Capital* can aid us to answer the questions of our time, in this case, to remain as the basis for an understanding of the contemporary international

[5] For a review of different Marxian credit theories of money see Evans (1997).

[6] For a critique, see Lange (2019).

monetary system and the new monetary forms that come with it. This is particularly relevant for two reasons: first, the rejection of Marx's monetary theory has not led to its replacement by a new, more powerful explanation, and; second, the defense of his theory still leaves unresolved some of the missing links criticized by their opponents.

The remaining of the paper is organized as follows. In the first section following this introduction, I will conduct a close reading of *Capital Volume I*, chapters 1-3 to examine Marx's theory of money, paying particular attention to the references that sustain the need for a commodity in the role of money, and the passages referring to the ideal presence of gold or the existence of symbols of value in the functions of money. The exegesis will be complemented with references to relevant contemporary literature of the three positions presented above. The conclusions arrived there will lead as to consider, in the third section, the function of world money, the only one in which a commodity could not be replaced, the modern attempts to conceptualize it, and their limits. The fourth section concludes and suggests future lines of research.

2. Marx's theory of money

Here I will follow the method conducted by Caligaris & Starosta (2016), Fleetwood (2000), and Germer (2005), for unfolding Marx's theory of money. It does not start by the commodity, as in *Capital*, but from the point of view of the totality of social labor and the specificity of capitalism, in a 'Grundissean' manner. This starting point will allow us to understand, from the beginning, the role that money came to fulfill in capitalism allowing us to differentiate Marx's point of view, from the outset, from chartalist and neo chartalist perspectives, to whom money has been essentially the same 'for some four thousand years', thereby erasing its historical specificity (Wray, 2014).[7]

Capitalism is a mode of organization of the social metabolism in which the allocation of a portion of the total amount of labor necessary to ensure its reproduction is done indirectly. Here, individual producers are atomized and produce privately and independently from one another, choosing individually and without coordination what, how, and how much to produce. However, as in every other form of organization of the human-life process, individuals are not self-sufficient. Thus, to satisfy their needs, they must acquire use-values produced by others. In capitalism, they do so in a process mediated by a mercantile exchange.

As can be seen, exchange is not a contingency; it is the moment in which the social nexus is expressed, where the unity between social production and consumption is established. In other words, in exchange, autonomous and independent producers validate the socially necessary character of the different concrete use-values produced by them and, with it, their own place as members of society. What are, in effect, their social relations, do not appear immediately as such, but are mediated by the products of their labor as its objectified attribute.

If commodities can relate to one another in exchange, it is because they have something in common, they are qualitatively and quantitatively commensurable. And that common property is precisely that

[7] This is something that also affects some Marxist authors. For example, in her very influential work, de Brunhoff claims that "(…) a theory of money applicable to the capitalist system must be subsumed under a theory of money in general, valid for every monetary economy; in other words, a general theory of money" (2015: 19).

commodities are embodiments of the same social unity, i.e., socially necessary abstract labor produced autonomously and independently or, what is the same, they have value. Reformulating, we can see that because commodities have value they can engage in exchange given that what is happening there is an *a posteriori* recognition of the social character of their work.

However, value cannot express itself immediately as such but must express itself in exchange value. As a result, we have to move our investigation to the value-form, or exchange-value, as Marx does in section 3 of chapter I of Capital, so we will continue the presentation following that work.

2.1. The Value-Form and Money

Once Marx (1976: 138) found the hidden content of commodities, he realized that he could 'twist and turn' a commodity but, by doing that alone, he would not be able to grasp it as a thing possessing value. The purely social character of values can only be revealed in the social relation between two commodities, i.e., no commodity can express its own value on itself. Thus, he turns to the analysis of the simplest expression of value, which is that of the relation between two commodities: x commodity A = y commodity B.

In the simple, isolated, or accidental form of value lies the secret of all the others. Here, the two different commodities, say linen and coat, play two very different parts: the linen expresses its value on the coat; the coat serving as the material in which the value of the linen is expressed. The linen plays an active role, and its value is represented as relative value. The coat plays a passive role and fulfills the function of the equivalent. The relative and equivalent forms are inseparable moments, mutually conditioning each other but also mutually opposed to each other. Since no commodity can refer to itself as equivalent, the value of the linen has no remedy but to express itself relatively, in the material existence of another commodity.

At first, the relative commodity enters into the relationship to show that it possesses value at all, that is, that it is the result of a socially useful activity performed privately and independently. Of course, this presupposes the existence of another commodity acting as equivalent, namely, a commodity having the attribute of showing whether or not the relative commodity has value. Because of this, the value character of the equivalent has to be presupposed, that is, the equivalent does not have to prove that it possesses value (Iñigo Carrera, 2007).

Once the relative commodity proves that it has value, the next step is to quantitatively determine how much it has. To become quantitatively comparable, the two commodities must be reduced to magnitudes of the same unit: socially necessary abstract labor time produced privately and independently. The relative commodity is then expressing its embodied quantity of value, i.e., its amount of socially necessary abstract labor time, in the body, the use-value of the equivalent commodity.[8]

[8] Why this must be the case is clearly explained by Fleetwood (2000: 182). He argues that it is a common to downplay the role of the bodily shape of commodities because it is a material and not social category. However, the bodily shape matters because it becomes the basic unit of account, without which the worth of a commodity could not be expressed quantitatively: the value of 20 m of linen is one coat. Regardless of which specific

Since the relative commodity is expressing its own value in its exchangeability with the equivalent, the latter is a directly exchangeable form.[9] The equivalent has three peculiarities: 1) its use-value becomes the form of appearance of its opposite: value. 2) Since use-value is the product of concrete labor, then in the equivalent concrete labor becomes the form of manifestation of its opposite: abstract labor. 3) Since the equivalent is directly exchangeable for the other commodity, its private labor takes the form of its opposite: social labor.

The equivalent form, then, is the solution to the contradiction of social labor produced privately, and the need to establish indirectly the unity of total social labor through a privately produced object with the attribute of revealing the social character of use-values produced by different concrete labors.[10] As can be seen, in the simple form we can already see what the objectification of value came to resolve: the organization of total social labor when it is conducted by private, autonomous, and independent units (Caligaris & Starosta, 2016).

The simple form is, however, insufficient, embryonic. Here the equivalent is a particular equivalent, not a universal one (Fleetwood, 2000). Thus, it cannot fulfill the job of establishing the unity of total social labor, that is, of relating every private work with each other. It can only put together a mere portion of it, limited to the commodity in the relative form. As a result, it must go through a series of metamorphosis.

The first one is the total or expanded form of value: z commodity A = u commodity B or = v commodity C or = w commodity D, etc. This allows the value of a commodity to be expressed in terms of all the other components of the world of commodities. The problem is that here, every other commodity acts as an equivalent, so there is an infinite series of 'disparate and unconnected expressions of value' (Marx, 1976: 156).

This problem is solved in the general form of value where the previous relationship is turned upside down. Now every commodity expresses its value in only one equivalent, a general equivalent, which brings the whole universe of commodities into relation with each other as values. In other words, the general equivalent as the 'visible incarnation, the social chrysalis state, of all human labor' (Marx, 1976: 159), allows reducing all kinds of different concrete labors to their common substance of being products of labor in general.

The last step is then to move from the abstract need of a general equivalent to the concrete commodity which, through the historical process and by social custom, conquered the monopoly of the function. Of course, every private producer would be very happy to have the product of his/her private labor as the general equivalent. However, the independent and equal character of individuals prevents them from being able to coordinate, concede, or impose any commodity in such social role (Caligaris & Starosta, 2016).

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commodity acts as equivalent, it must always have attached a magnitude which is provided by its bodily shape (in this case, the coat).

[9] Here, Marx warns us that the coat is not endowed with its property of direct exchangeability by nature.

[10] Germer (2005: 29) points out that the need to transform commodities into a thing that expresses their embodied social labor is 'Marx's most original contribution to the theory of money' allowing to understand why commodity exchange must be mediated by money in a way that overcomes the simplistic 'double coincidence of want' explanation, and showing why money must be a commodity.

In chapter two, Marx argues that it is only the action of society, the agency of the social process, that can turn a particular commodity into the general equivalent. The universal equivalent attaches itself to different commodities historically, but with the development of exchange, it fixes firmly to particular kinds. At first, this is a matter of accident, but two circumstances result decisive: the money-form attaches itself to the most important articles of exchange from outside or to the object of utility constituting the main element of indigenous wealth. Once exchange breaks the chains of local bonds, the money-form transfers to precious metals. This is because the latter are commodities whose materiality possesses the same uniform quality, making them fit to embody abstract and thus, equal human labor; and they are capable of being divisible and assembled back, allowing the money commodity to express the purely quantitative difference between magnitudes of value. With the establishment of gold in that role, we arrive at the money form.

In this exposition, Marx is developing a necessity, he generalizes a qualitative determination that was fully present in the simple form. This development does not imply that a simpler form engenders a more concrete one, but rather that the need of the former shows us the necessary existence of the latter (Caligaris & Starosta, 2016).

Having reached the final step, we can start seeing why the capitalist economy is necessarily a monetary economy. According to Evans (1997), in this regard, there is an agreement in most Marxian approaches. The neoclassical idea of money 'as a veil' upon an otherwise barter economy fundamentally misunderstands the nature of money and capitalism. Money is not a mere medium of exchange to solve the 'double coincidence of want' problem, but it is the necessary way in which commodities express their value, proving their social character. In this mediated manner, money enables to establish the unity between total social labor in a society without a direct allocation of total social labor.

Similarly, Marx criticized the 'Ricardian socialist economists' who ignored the necessary character of the value-form, that is, that a commodity's value can only express itself in exchange-value, and attempt to directly measure labor time or propose to replace money with labor chits (Saad-filho, 1993). This could only be possible in a society with a social agreement or authority with the capacity to establish both the socially useful character of the products of labor as well as their value character. In other words, to be able to express their substance immediately, commodities should be the product of a directly socially organized labor. But this will make superfluous the problem that the commodity form came to solve, that is, establishing the social character of labor (Iñigo Carrera, 2007).

At this point, we can start to engage directly with the debate on the commodity character of the theory of money. Marx (1976: 162) argued that 'Gold confronts the other commodities as money only because it previously confronted them as a commodity'. This is because:

> (…) the money-form is merely the reflection thrown upon a single commodity by the relations between all other commodities. (…) The process of exchange gives to the commodity 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. The fact is 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 (Marx, 1976: 185).

In this statement, we can clearly see that for Marx, money must be a commodity and already criticizes those who consider that money can be itself 'a mere symbol'. This is nothing but consistent once it is understood that money appeared to establish the unity of different concrete products of private labor. If money were not itself a product of labor that took the form of a commodity, it could not act as equivalent. In other words, no relative commodity could express its value in the body of a valueless object, in the same way as no object could express its weight in the body of a weightless object.

This point has been the object of dispute from different theoretical perspectives. First, some authors argue that money is a social convention. For example, Moseley (2005: 14) sustains that the argument that the measure of value must possess value is based on 'a historical contingency and not a theoretical necessity'. According to him, the regulation of social labor requires turning private labor into social by being represented in a socially acceptable form, but the acceptance by commodity owners of something (a commodity, paper money, etc) as the universal equivalent is enough to give that thing the function of measure of value. Once paper money has been declared by governments as the universal equivalent, it can function as the form in which social labor is expressed.

Second, the 'form-theoretic approach' of Reuten and Williams follows Rubin in considering value established in the market without independent existence before the moment of exchange. In this framework, 'money has no essential content – neither bullion, nor paper, nor plastic, nor accounting entries – rather its essence is that it is pure form, a one-dimensional quantity', it is 'the substantial existence of value: a pure transcendental form' that 'has no value, only an infinite number of exchange-values.' (Reuten, 1988: 127). Then, after developing the credit system, he argues that it is ultimately the state who imposes the thing that functions as 'full money': 'Central Bank money potentially functions as full money, because it is the legally enforced currency. It is a store of value because it is the enforced means of payment – legal tender.' (Reuten, 1988: 136). Similarly, Williams (2000) argues that the acceptability of a national currency rests on the state's ability to tax.

Third, Kennedy (2000: 195) claims that the value relationship is in decline and, as a result, 'the commodity basis of money gradually diminishes and reverts to money as mere symbol'. In this context, the control and distribution of money is the state's attempt to consciously regulate social labor, substituting spontaneous market forces by direct relations of personal dependence and political powerbroking. Similarly, Matthews (1996) argues that since the measure of value and standard of price are social constructions, then the state can construct currencies without use-value without needing a reference to real commodities.

Despite their important differences, these three approaches share the idea that money needs not to be a commodity, and it can be anything established by social convention or the state. However, as Marx showed, money must be a commodity because no commodity would be able to express its value in money if it were not because money itself has value. Additionally, Weeks (2012) argues that the previous positions fall prey to the appearance that money is rooted in custom and habit when it is truly based on the material necessity proper to a society where the social processes take place behind the backs of producers. Social convention does play a role, but not on the existence of a commodity acting as general equivalent, but on the selection of the particular commodity (for example, gold) in that role.

Similarly, we have seen that bonds of personal independence create the need for money in the first place, thus if we were living in a society based on nexus of personal dependence, we would need no money at all. Besides, these understandings posit the state as an agent alien to capital with the power to subvert it, which implicitly implies claiming the end of the capitalist mode of production and consequently, makes the whole theory of value and money superfluous.

Finally, both the 'Italian circuitist approach' (Bellofiore, 1989; Bougrine & Seccareccia, 2002; Graziani, 1997) and the 'Circuit of capital approach' (Foley, 1983, 1986), despite their differences share the understanding, or at least the possibility of understanding, Marx's theory as a credit theory of money. In this account, money could be gold or any other commodity but it does not have to in so far as money is by nature credit, abstract value that could be transferred through promises.

These approaches fail to grasp that the equivalent needs to possess value to allow other commodities to express their own. Additionally, they ignore the important difference between money and credit (a promise to pay money), which reveals itself violently in times of crisis, and confuse two different relationships: that of buyer/seller and that of creditor/debtor. Finally, as de Brunhoff (2015) and Evans (1997) shown, starting the theory of money from credit implies leaping forward, mistakenly advancing a category that requires a previous discussion on capital, credit, and interest.

2.2. The functions of money

A commonplace in the Marxist literature is to start the discussion with Marx's account of the functions of money in chapter III of *Capital Volume I*, skipping the content of chapters I and II. However, this is a mistake. Before discussing what money does, it is necessary to know what money is. This could only be achieved after going through the sequence commodity-value-money present in chapters I and II. Otherwise, we risk falling in the neoclassical perspective which confuses the ontology of money with its functions, disregarding the historical specificity of money. This is a problem that also affects Marxian scholars. Starting from the functions of money has led some of them to the understanding that money 'is completely determined by its functions' (Williams, 2000: 438).

2.2.1. The Measure of Values

As the measure of values, money is the necessary form of appearance of the immanent value of commodities. It allows the expression of the value of commodities as magnitudes of the same denomination, qualitatively equal and quantitatively comparable. The exchange value of commodities (i.e., the expression of the value of a commodity in amounts of any other) now becomes determined as its price (i.e., the expression of the value of a commodity in amounts of the money commodity).

The price of commodities is an ideal or notional form, commodities need not the presence of actual gold to express their value. As a result, it is possible to use 'purely imaginary or ideal' gold for this function (Marx, 1976: 190). The values of every commodity become, then, imaginary quantities of gold of different magnitudes. These different magnitudes of gold are compared with each other and measured, creating the technical necessity of establishing a fixed quantity of gold as their unit of measurement. This unit is then subdivided into equal parts and becomes the standard of measurement.[11] Since metals had previous standards in their weights, the names given to the standards of price come from their old names as standards of weight.

[11] See Arthur (2005) for an interesting discussion on different kinds of measurement.

Measure of value and standard of price are two different functions performed by money. As the measure of value, money allows to convert values into prices (i.e., into imaginary quantities of gold). On the contrary, as the standard of price, money acts as a quantity of metal with a fixed weight, allowing to measure quantities of gold by a unit quantity of gold. As such, it requires a certain weight of gold as the fixed unit of measurement.

Then, Marx argues that the money-names of metals are progressively divorced from their weight-names. This is because of the introduction of foreign money, the replacement of less precious metals for more precious metals in the function as measure of value and, the debasement of the currency by kings and princesses. In any case, '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.' (Marx, 1976: 194). Here we can see the difference between Marx's approach and the chartalist. While the latter attempts to explain the existence of money through the action of the state in Marx's original presentation the role of the state is limited to regulating the standard of money but plays no role whatsoever in the ontology of money or its function as measure of value.

As can be seen, in the role of measure of values and standard of price, gold functions only ideally. Therefore, in what concerns this function, Marx's theory of money is in principle fully compatible with a world without in which gold does not play a physical role.

2.2.2.The Means of Circulation

In the moment of exchange, a differentiation between the commodity's dual character is produced: the immanent contradiction between use-value and value is exteriorized in commodity and money. As the means of circulation, money acts as an agent in the metamorphosis of commodities that mediates the social metabolism. The metamorphosis consists of two opposite yet mutually complementary moments: the first is selling (exchange of commodity for money), and the second buying (exchange of money for commodity). The unity between the two acts is selling in order to buy: C-M-C.[12]

As a measure of value, gold was ideal money, but as a means of circulation, money must be physically present because, by being alienated, commodities suffer a transformation in their real body as use-values. Once commodities are bought, they exit circulation (enter the orbit of consumption) replaced by money. Money places itself in the place of commodities, thereby ensuring the continuation of the circulation process. Thus, what is, in reality, the movement of commodities appears as the result of the movement of money, which as a means of circulation, always 'haunts' the sphere of circulation.

Having reached this point, Marx derives the existence of symbols of gold. His argument can be divided into two steps, one theoretical and one practical. Regarding the former, Marx explains that the reason why gold is capable of being replaced by symbols of itself is because, in the function as means of circulation, money is a transient moment in the circulation process; it will pass quickly from hand to hand. Its material is not important. As a result, it only needs a symbolic existence, and its function absorbs its materiality. However,

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[12] However, the direct identity between buying and selling is divorced. Even though no one can sell if there is no one to buy, that does not mean that the seller must immediately buy because he/she has just sold. The internal unity between the two moments is exteriorized as an antithesis. Here we can see the germ of crisis: once the external independence reaches a certain unsustainable degree, the unity violently restores itself through crisis.

> 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 (Marx, 1976: 225).

The practical reason follows from the course of actual circulation as its 'natural and spontaneous tendency' (Marx, 1976: 222). Since gold must be physically present in circulation, in the passing from one place to another, coins wear down.[13] The nominal (gold as a standard of price) and real content (gold as means of circulation) of them progressively divorce from each other, and coin is transformed from its metallic existence into the semblance of gold or a symbol of its official metallic content. As a result,

> The fact that the circulation of money itself splits the nominal 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 functions of coins (Marx, 1976: 222-23).

And then he adds:

> In its form of existence as coins, gold becomes completely divorced from the substance of its value. Relatively valueless objects, therefore, such as paper notes, can serve as coins in the 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 (Marx, 1976: 223-24).

Arthur (2005) argues that inconvertible paper does not 'stand for' but 'stands in for' gold. He says that, by 'standing in for', inconvertible paper assumes the actual functions of money, not merely symbolical ones. It functions as gold, rather than being a mere representation, standing for gold. The same is the case with an understudy who 'stands in for' the actor in a play (being adequate for presenting the role, effectively replacing the actor if needed), as opposed to the written name of the actor in the program, which merely 'stands for' the actor.

Marx presents the replacement of coins by symbols as a possibility. However, Lapavitsas (2017) argues that it is a necessity, because the problems of gold as a medium of circulation show that commodity money is not always the most adequate independent form of value. Additionally, Labrinidis (2014b) argues that the labor power and means of production used in the production of gold are a burden for capitalism. There he is pointing out that the production of gold is part of the expenses of circulation which capital tries to get rid of. As a result, its replacement by something cheaper is a necessity for capital.

In any case, the symbol emerges spontaneously out of commodity money in circulation. Consequently, understanding the symbol would be impossible without first having discussed the nature and functions

[13] Labrinidis (2014b) argues that the symbolic character was already present before. According to him, if the velocity of circulation of money is greater than one, then, in a given unit of time, the same coin will realize more value than the one it represents.

of money in its commodity character. Conversely, Marx's theory of money, while requiring money to be a commodity, shows how gold can be replaced as a means of circulation for 'symbols of value'. Therefore, the recognition that gold does not circulate anymore, is not sufficient to challenge his theory.

At this point, it is worth pointing out the emergence of the role of the state and the law in this process. Here Marx repeatedly introduces the state externally,[14] to emphasize that the symbol (whether coin or paper) needs to have an objective social validity which, as a mere symbol, could only be granted by the representative of total social capital. He says:

> 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 money, a purely functional mode of existence in which it is externally separated from its metallic substance (Marx, 1976: 226-27).

This paragraph provides another basis to differentiate between Marx's approach and those that attempt to explain the existence of money through the action of the state. In Marx's account, the role of the state is limited to provide social validity to the symbols but plays no part whatsoever in the ontology of money, the universal equivalent, its function as a means of circulation, or in its existence as symbols. Furthermore, Itoh and Lapavitsas (1999: 45) argue that this is so much the case, that state validation is circumscribed only to the sphere of circulation. Fiat money indeed receives its social validity from the mere word of the state, but while the state allows fiat money to circulate, it cannot provide it with a role outside the sphere of circulation (except in the narrow sense of requiring that taxes are paid in fiat money).

Finally, Marx also presents a discussion on the quantitative determination of paper money, whose formalization was later pursued by Moseley (2011) and Shaikh (2016). Marx argues that:

> 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 at follows: the issue of paper money must be restricted to the quantity of gold (and silver) which would actually be in circulation and which is represented symbolically by the paper money. (…) 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. (Marx, 1976: 224-25).

In the same line, Lapavitsas (2017: 112) explains that there is a definite 'rate of symbolization' between an ideal quantity of commodity money that would circulate without symbols, and the quantity of fiat

[14] That is, the state appears here out of nowhere, not as a result of the internal development of the argument. For example, he says: 'The business of coining, like the establishing of a standard measure of prices, is an attribute proper to the state.' (Marx, 1976: 221-22) and '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' (Marx, 1976: 224). But he has nowhere before discussed what the state is, and why it has to the power to do that.

money actually in circulation. The rate of symbolization also depends on the intrinsic value of the commodity money relative to the value of commodities. However, this rate provides only a theoretical reference point but does not act as a real anchor. Thus, an arbitrary increase in the amount of fiat money in circulation ends up in a decline in the rate of symbolization.

This recognition has led many authors to consider Marx's theory as similar to the quantity theory regarding paper money. Even though it is true that the emission of symbols of value over their capacity to represent value will cause an increase in prices, many reasons distance Marx's explanation from the quantitative view (de Brunhoff, 2015; Lapavitsas, 2017a; Moseley, 2011). Among them, the quantitative confusion between the different functions (particularly, ignoring the role of hoarding) and forms of money, and the existence of credit.

2.2.3.Money

The denomination of the following set of functions as money is rather cryptical. Marx only devotes one paragraph to introduce this section and it is not clear why the following functions characterize money qua money. In particular, what is he trying to differentiate it from? Commodity-money as opposed to symbols? Money as money as opposed to money as capital? As opposed to credit? Or to point out functions that money only has in capitalism as opposed to functions that it also had before?

In this section, I will just follow Marx's original presentation without discussing that issue, although I think that pointing out the ambiguity is worthwhile.

2.2.3.1. Hoarding

The direct exchangeability of gold makes it the expression of wealth in general. As a result, there is a need and desire to freeze the product of the first metamorphosis and take it out of circulation, transforming it into a hoard. With that hoard, at least potentially, people can buy commodities without having to sell (or, more precisely, having already sold). In this way, money can be privately appropriated and its social power becomes a source of private power, acting as a measure of the social wealth of its owner. Once gold enters back into circulation, it loses its power, becoming a particular expression of wealth, a non-directly exchangeable commodity.

The quantitatively limited character of any sum of money and the qualitatively limitless character of it as the universal representative of material wealth pushes the hoarder to want ever-greater sums of money as reserves. Thus, the hoarder will try to save and to work more to increase the number of commodities that he/she sells above what he/she buys.

Hoards play an important role in circulation. Given that the necessary amount of money in circulation varies, reserves of money adjust allowing for their expansion (providing additional supply) and contraction (absorbing the excess). In this sense, hoards regulate the amount of money in circulation.

It remains to be discussed whether this function requires a money commodity or not. Itoh and Lapavitsas (1999) argue that only commodity-money can function as hoard because fiat money does not possess value in its own body. However, the development of the credit system allows hoards to be deposited in banks in exchange for certificates that can circulate, or allowing depositors to issue cheques and transfers from their accounts. As a result, the hoarder now only has a title representing his/her property over the reserves, instead of the actual money.

2.2.3.2. Means of payment

With the development of circulation, the alienation of commodities becomes separated in time from the realization of their price, that is, they change hands before being sold. The seller becomes a creditor, and the buyer a debtor. This change in the metamorphosis of commodities implies a transformation in the function of money: it becomes a means of payment.

As a means of payment, money enters circulation only after the commodity has already left that sphere. In the meantime, what circulates is a private tittle of debt which allows the second metamorphosis to happen before the first one.

The balancing of payments with each other reduces the amount of money in circulation required at any moment in time. At the same time, the concentration of means of payment in one place engenders spontaneously institutions to economize them through clearing balances. To the extent to which payments balance each other, money functions only ideally, as an accounting operation.

It is also relevant to highlight that credit emerges out of this function of money. Marx (1976: 238) believed that as means of payment money takes 'peculiar forms of existence' in large-scale commercial transactions, while gold and silver would remain on retail trade. However, this was merely stated without being the result of the conceptual development.

All things considered, as a means of payment, money does not need to be bodily present all the time, even more so with the development of clearing systems. However, as soon as this mechanism stops working, people demand payments in the real, bodily presence of money, which could lead to a monetary crisis. Nevertheless, even in this case, money could take 'peculiar forms of existence'. In fact, Marx believed that: 'The monetary famine remains whether payments have to be made in gold or in credit-money, such as bank-notes' (Marx, 1976: 237). Therefore, there is no need for money to be a commodity in its function as a means of payment.

The discussion on means of payment leads us to the identification of another point of debate, although not often openly recognized, among Marxist scholars. In the discussion of means of circulation, it became clear that state-issued paper is a form of money. Nevertheless, some authors argue that state-issued paper is a form of credit. Labrinidis (2014b) argues that the latter is a confusion arising from the material resemblance between the two i.e., both are paper. Thus, the easiness in issuing symbols has been mistaken with credit expansion. However, they have two very different roles. Credit enables commodity circulation but there is still present the need for money to settle those balances. That is why fiat money does not presuppose any credit relation while, on the contrary, the existence of credit does presuppose money in some form as a means of payment. As a result, imputing Marx's understanding of credit to fiat money leads to ignoring the specifically monetary character of settling debts, and confusing the relation buyer/seller with that of debtor/creditor.

2.2.3.3. World Money

Marx argued that outside the domestic sphere of circulation, money loses its local functions and returns to its original form as a precious metal. This is because, in the world market, money must be the commodity whose natural form is also the directly social form of abstract labor. Here Marx hints that capital accumulation is being global in content and only national in form (Ivanova, 2013).

World money serves as the universal means of payment (the predominant function of world money is the settling of international balances), as the universal means of purchase, and as the absolute social materialization of wealth as such (universal wealth).

Consequently, countries need to accumulate a reserve fund for settling international balances when due. Different authors argue that Marx's discussion on this hoard and his sympathy towards mercantilism allows to interpret the reserve fund for international balances as the measure of political power between nations. The ability to hoard will depend on a country's position in the international division of labor and in the financial system (de Brunhoff, 2005; Foley, 2005; Vasudevan, 2009).

In this function, Marx insists on the commodity character of world money: 'In this latter role it is always the genuine money-commodity, gold, and silver in their physical shape, which is required' (Marx, 1976: 243). Ivanova (2013: 45) argues that 'There is no evidence anywhere in Marx's work that a non-commodity theory of money could apply to international circulation. To Marx, world money is bullion, plain and simple. Money has to take off its 'national uniform' when it reaches the world market'.

3. World Money revisited

After the review of the previous sections, it became clear that Marx's theory of money is entirely consistent with gold's physical absence, except in the case of the only one function that Marx explicitly argued that money could perform its functions neither ideally nor replaced by symbols: world money. As Evans (1997: 22) correctly points out, 'while Marx argues that the analysis of money must be based on gold, the only function of money that he clearly states must actually be carried out by money with intrinsic value is as world money' (Evans, 1997: 22). It is not surprising then, that the revisiting of Marx's theory of money, with minor exceptions, only took place after the fall of Bretton Woods when the global character of gold as money became challenged.

This allows us to redefine the terms of the debate presented in the introduction, narrowing down the focus of attention to world money. According to Marx, as world money, money has to remain a commodity because fiat-money is necessarily national. Because of this, the three positions of the introduction could be rephrased: The position that held that Marx had a commodity theory of money could now reject the theory of money on the grounds that it failed to conceptualize world money by abandoning Marx's theory altogether[15] or by proposing a new approach to money within Marx's framework.[16] The position that sustained that Marx's monetary theory need not be a commodity has not stood the test of exegesis[17], we have shown the necessity of money to be a commodity. The third position could now acknowledge that this is as far as the theory of money can take us on itself and that we should move forward to find the answers to our questions, particularly by analyzing capital and credit.

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[15] Given that this article is concerned with Marx's theory this position will be no longer considered. Perhaps the best-known representative of this approach is Michel Aglietta, who has also influenced the ideas of those who remain within a Marxian framework such as Alan Lipietz (Evans, 1997).

[16] This approach could also accommodate the attempt to keep Marx's theory of money as it is, trying to show that gold continues to act as world money in the present system. However, I could not find anyone holding this.

[17] This point was also raised by Germer (2005).

The first approach was followed by authors such as de Brunhoff (2015) and Foley (2005). According to them, in contemporary capitalism, the abandonment of convertibility[18] has freed the U.S. dollar with any link whatsoever with respect to gold and it has itself become world money (whether absolutely or in a dominant position sharing the role with other nationally-issued fiat-currencies). Besides, since there is no international monetary authority nor a monetary agreement between countries, the U.S. dollar has established itself through competition with other national currencies.[19] According to this view, the monetary liabilities of the state should be conceptualized as fictitious capital (Foley, 2005; Vasudevan, 2009).

A full assessment of this position falls beyond the scope of this article, as it will require developing the idea of fictitious capital. However, it is worth mentioning one methodological point that has been raised against them. Labrinidis (2014b) argues that, for these authors, the absence of a monetary role for gold is so self-evident that they do not support it with any fact other than the empirical observation of the lack of any fixed relation between gold and the U.S. dollar. Moreover, Weeks (2012: 83) claims that this is not 'a serious argument' because there are many aspects that cannot be seen and yet analytically valid. Additionally, this position 'throws the baby out with the bathwater' in so far as it is also discarding all the other elements of Marx's monetary theory, despite them remaining to be coherent.

The third position considers that Marx's theory of money is essentially correct and acknowledges that the concrete forms of money have indeed changed, and the Post-Bretton Woods system is a new and distinct international and financial monetary system. Consequently, they attempt to develop Marx's theory to account for that, particularly at the level of world money, for example by conceptualizing the dollar as "quasi world-money" (Labrinidis, 2014b). As a complement, some authors try to show that gold plays a monetary role in the current system, albeit a very different one from the one it had during the gold standard (Labrinidis, 2014a; Weeks, 2012). However, this approach also presents differences within as some authors continue to ground the understanding of contemporary forms from the theory of money (under the notion of 'symbol of value') while others try to approach the phenomenon by developing Marx's theory of credit (Lapavitsas, 2017b).

Nevertheless, at this point, we reach the second debate identified in the introduction, namely, how to conceptualize current monetary forms. This falls outside the scope of this article, as it will require a discussion on capital, credit, and fictitious capital. This debate will be the focus of a future contribution.

4. Final remarks

In this text, I have attempted to show that, in Marx's theory, money must be a commodity. I have also established that it appears only ideally or that it can be replaced by symbols in the performance of some

[18] Shaikh (2016) argues that the labels 'convertible' and 'inconvertible' are misleading because functioning money is always convertible into gold. What changed is that the convertibility stopped being at a fixed rate determined by the monetary authority and became a flexible rate determined in the gold market. Labrinidis (2014) presents a somewhat different perspective. In his view, convertibility should refer to different concrete forms of money, and have four features: the place where it happens; the establishment of an institutional obligation; the existence of enough reserves to realize the potentiality; and the quantitative rate of exchange.

[19] Interestingly, both de Brunhoff (2005) and Foley (2005) leave open the possibility of a sudden reversal to gold or another commodity such as oil.

functions. At the same time, I have pointed to some limitations of the theory of money, particularly regarding the character of world money, so that the theory, on its own, does not allow to properly account for contemporary forms of money.

The question of how to understand current monetary forms remains open and will be the object of a future contribution. However, in this article, I have shown that their conceptualization could be accomplished by systematically developing the determinations present in Marx's account, instead of rejecting or patching them. While this is not the place to advance on them, a few remarks coming from the previous discussion can shed light on future directions of research.

The informed reader will recognize some very important theoretical absences in the previous pages. We have discussed money abstracted from capital, credit, and its institutions. While this was analytically convenient at our stage of conceptual development (for example, it allowed us to avoid the common confusion between a symbol of money and credit), it does not bring the whole picture. We must keep moving forward to incorporate more determinations to account for capitalism's full complexity. Finally, and in a shared characteristic with Marx's original version as well as in contemporary theories, the state was introduced from outside, without discussing its determinations. The need for a proper conceptualization of the state for a contemporary theory of money has also been pointed out by Foley (2005) and de Brunhoff (2005). Furthermore, the emergence and introduction of central banks have been done, with honorable exceptions such as Itoh and Lapavitsas (1999), Lapavitsas (2001), and Harvey (2006), without any kind of theoretical discussion on their concept and history.

All things considered, the theoretical challenges in front of us are enormous. While Marx has done a lot to guide our understanding, it is now up to us to find answers to the open questions.

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