Money and exchange

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This paper endorses Marx's deduction of the need for money to actualise value before exchange can be considered, so that, in exchange, money's function as means of purchase follows from money's ability to actualise value. This is contrasted with the Uno school, whose proponents mix concepts from *Capital* chapters 1 and 2. The paper goes beyond Marx in presenting a more dialectical derivation of money and a more rigorous account of the logic of exchange. The view of money advanced here gives a basis for its active role in the development of capitalism.

Introduction

The object before us is capitalist production and reproduction. Given that social production here is located in dissociated enterprises, commodity exchange is the most general mediation that secures association. Commodities are doubly constituted as use values and as values, and the process of their exchange realises both determinations at the same time. However, the procedure I adopt here is to treat the issues separately (as does Marx). In the first part of this paper, the problems of exchange are bracketed: it is assumed that all commodities are exchangeable as such. This is in order to focus on the formal conditions of existence of value relations. In the second part, the problem of the realisation of value in exchange is addressed. Even if commodities are *formed as values*, the problem of their *exchange as values* arises because there is no *point* in exchanging equivalents. Exchange of equivalent values is mediated in exchange of different use values. It will be shown that this use-value condition of existence of value transactions throws up obstacles to the free movement of commodities.

In beginning both sections without money, I do not rely in any way upon historical considerations. Going back

behind money is a purely conceptual move that leaves intact certain social presuppositions, such as a fully commodified system of production, which historically could only have arisen together with the development of money. The use of this expositional strategy enables us to identify the nature and the logical necessity of money to the existent system, in which the product typically takes a commodity form. This is the main thrust of the paper.

The importance of money

The issues dealt with in the bulk of this paper may seem to turn on minutiae. However, what is at stake in rightly characterising money at the most abstract level is of great importance when account is taken of the enormous impact of money and its movements on the totality of capitalist relations. Capitalism is essentially a monetary system, and as it has developed this has become more, not less the case. (It is true that in this paper I follow Marx in deriving a commodity money, and I do not mention credit money and fiat money. Nonetheless, this is a necessary stage in the exposition of the concept of money, and it allows us to advance certain fundamental theses about it.)

In particular (and this is part of the burden of my polemic, below, against the Uno school), it is crucial to distinguish between theories of money in which it is figured as a passive mediator of other forces, and theories of 'active' money in which, as finance, it initiates the hegemonic circuit of the capitalist economy and, as 'abstract wealth', sets itself as the aim of that circuit. Money rules. This is because it is the form in which capital, as self-valorising value, measures itself against itself. Here, I find the logic of money as 'active' money at its very source, in the dialectic of the value form.

Value-form theory

The present paper, then, covers only the themes that Marx addresses in *Capital* volume I, chapter 1, section 3; and in chapter 2 of the same volume. However, while I endorse Marx's strategy in separating these discussions, I treat the themes in my own way. Thus, with respect to the transition from the expanded form of value to the general form

presented by Marx in chapter 1, I advance a thoroughly 'dialecticised' account, drawing on Hegel's logical categories of 'force' and 'expression'. This argument allows me to offer some insights into the nature of money as 'the actuality of value' that anticipates its commanding role in developed capitalism. With respect to Marx's chapter on 'The process of exchange', I offer what I believe to be a more rigorous statement than his of the *logical* problems implicit in it (while silently accepting his *historical* speculations about the origin of money). I argue that money's function as 'means of purchase' logically presupposes its definition as value in autonomous form.

My position here may be located within the value-form theory tradition of approaching these problems, stemming from the rediscovery of the magisterial work of the Soviet scholar Isaac I. Rubin. Value-form theory argues for the essentiality of money to a value system, and that money is the only measure of value (Arthur, 2005a). However, while it can be shown that in the development of the value form a value content may be posited, throughout the present paper no reference is made to the so-called labour 'substance' of value. This is permissible, and in my opinion methodologically justified, in so far as the process of exchange takes hold of many things that are not products; and in so far as it circulates products, these are given value forms (such as price) that do not make explicit their origin in production. In its immediacy, the commodity has a pure form. Certainly, commodities do not bear on their foreheads the mark of capitalist production (nor its absence). However, I take it as permissible to refer throughout to 'value' understood as a power inherent in a commodity, expressed in the ratio of exchange with other commodities, and giving rise to many different exchange values. It is simply that I do not address its grounding, e.g. the claim that it is the form of appearance of social labour.

The definition of value as an inherent power of exchange may be termed a 'phenomenal definition'. Once theory has established that only products of labour support such a phenomenon in law-like fashion, the original definition can be supplemented with a 'real definition' stating that value 'is' the social recognition of expended labour. For a useful analogy, consider water. This can be studied and much can be known about it prior to the discovery that water 'is' H_2O. In particular, the existence of several forms of water (solid,

fluid, vapour) may be observed, and the transformation of one to the other marked. In the same way, value may be traced through the commodity form, the money form and the capital form. My view is that *capitalist* production must be theorised before the grounding of value in labour is legitimate. Hence, at the level of simple exchange, it is to be left aside.

As far as I am aware, this procedure is adopted only by Kōzō Uno and his followers. (For appropriate texts, see Uno, 1980; Itoh, 1988; Sekine, 1997; Itoh & Lapavitsas, 1999; and, in part, Lapavitsas, 2003, 2005a, 2005b.) Like them, I think that the introduction by Marx of a posited *ground* for value in labour before the *form* of value is fully theorised represents a residue of classical political economy in *Capital*. Like them, too, I think the derivation of the money form of value in the third section of chapter 1 is an achievement that may properly be recognised without reference to the determination of values by labour times (Lapavitsas, 2005a: 97). However, they provide a novel interpretation of the dialectic of the forms of value adduced by Marx in that section, which I do not accept.

They attempt to understand the forms of value and money precisely from the perspective of the exchange process; or, more exactly, from that of 'offers' to exchange (Uno, 1980: xxiv, 5; Itoh, 1988: 73–78; Lapavitsas, 2005a: 103). Although this school has the merit of addressing the nature of the value form systematically, I derive the necessity for money quite differently from the way they do. It is appropriate, therefore, that throughout my argument I illuminate it by contrasting my views with those of the Uno school. They claim that their derivation of money is superior to that of Marx. In the course of my exposition I consider their criticism of Marx, and I then give some attention to their own views.

I begin by separating investigation of the value form in its purity from that of form-oriented activity. This is very similar to Marx's procedure in postponing 'The process of exchange' to chapter 2, while chapter 1 looks at what it is to *be* a commodity. The Uno school criticises Marx's exposition. Makoto Itoh, for example, argues that 'the separation of analytical views in these chapters concerning the same subject' is improper, since from the start, exchange relations of commodities cannot be conceived without their possessors (Itoh, 1988: 383). As we shall see, they derive the forms of

value from the activities of commodity owners instead of studying the activities of owners as they are structured by commodity relations. The place of possessors of commodities is not merely related to the best expositional strategy. Implicitly, it raises Marx's vision of a commodity economy as a whole. In such an economy, the products of labour dominate the producers. Marx rightly observes at the beginning of chapter 2 that their owners are 'bearers' of an economic relation that may be studied as such. (This contrasts sharply with mainstream economics, which tries to reduce economic relations to the effects of the interests of pre-given individuals.) Thus I reject this criticism of Marx. In consequence, I contrast my derivation of money as 'autonomous value' with the derivation of money as 'ability to buy'. We must attend first to the value form, and only then consider the perplexity this causes for the commodity owners, grappling with the requirement to exchange commodities as value and use value simultaneously.

In sum, the first part of this paper is entirely about the value relation, with use value reduced to the role of its unresistant bearer, so that the assumption is that all commodity relations are in play, and the problem is to posit the presupposition that commodities are values. In the second part, since the process of exchange is to be studied, use value is as important as value, and it results in serious obstacles to the positing of commodities as substitutable equivalents.

I — The actuality of value

The concept of value has qualitative and quantitative aspects; and in order to reflect this, I distinguish between *exchangeableness* and *exchangeability*. The former refers to some *quality* inherent in the commodity that allows it to *be exchanged*; the latter refers to the *power* of exchange possessed by the exchangeable commodity, which determines the *quantitative proportions* in which it exchanges against others. The exchange *value* of a commodity is rooted in its exchangeability, i.e. the *degree* to which it is exchangeable. In the case of direct exchange of goods there is only limited exchangeableness, because the fit with individual need may not be present. The function of money here is the solution to the problem of finding something capable of mediating exchange. This will be studied in the second part of this

paper. 'Exchangeability' refers to a power of exchanging in *definite proportions* relative to other commodities. The problem here is that there seems to be no way of consistently equating all commodities as exchange values, and the role of money is that of providing a universal equivalent in terms of which the value of commodities can be specified.

It is assumed in this first part that all commodities are exchangeable as such. This must be presupposed, or the simple form of value (see below) could not be a paradigm. The issue to be treated, then, is the actuality of value relations. From the observation that all commodities are exchangeable, directly or indirectly, in definite proportions arises the postulate that all the many exchange values possessed by a commodity spring from a unitary essence, an inherent power of exchange. The problem is that this reductive abstraction may have no basis in reality. However, if such a presupposition were to be posited in commodity relations themselves, as is shown in the dialectic of the forms of value below, then the issue of its further grounding could be pursued.[1]

The simple form

At first sight, it seems that the simple form of value implicit in commodity relations exhibits value immediately. This form is: 'The value of x of A is expressed in (the use value) y of B'. I follow Marx (1976: 139) in seeing the commodity in 'relative' form (A) as the '*active*' pole of the expression, because that is the commodity whose value is to manifest itself, and the commodity in 'equivalent' form (B) as at the '*passive*' pole, because it serves merely as the material shape of the value of A. Ideally, value is determined in opposition to the heterogeneity of use value. But value must *appear* if it is to have any actuality. Immediately, a commodity appears as a use value but, because the value of a commodity is defined in opposition to its own use value, it cannot appear there.

However, in the form of value, what is not use-value A is use-value B, and value can appear in the relation between relative and equivalent forms of value such that the value of A appears as use-value B. It is not that the commodity A has a *given* essence simply expressed in the equivalent, but that value as essence *comes to be* in this expression, and is figured rather at the equivalent pole as what appears in the *shape* of

the use-value B. So here there are two worlds, which predicate themselves on use value in inverted fashion. In essence value *is not-use-value* (of A), but as appearance value *is use-value* (of B).

However, whereas the commodity in relative form splits into use value and value, the peculiarity of the equivalent form is that, in it, the commodity's use value counts not as itself but as value; so the two worlds, the 'sensuous and supersensuous'[2], are here immediately one. This is the germ of money.

The expanded form

However, this 'accidental' expression of the value of A is defective because it is not all-encompassing. Equally possible is the form: 'The value of x of A is expressed in (the use value) z of C'. Similar expressions of the value of 'x of A' hold for all existent commodities. Taking these other alternatives into account gives rise to the 'expanded form'.

The Uno school criticises this expanded form. In Marx's example, the commodity A is '20 yards of linen'; it is this commodity whose value is first expressed in '1 coat', and subsequently in definite amounts of other commodities, all equivalents of each other as the value of that same twenty yards of linen.

By contrast, Uno and his followers argue that the amounts of linen specified should vary on each occasion, because it has to be the value equivalent of the specific amount of each other commodity *desired* by the linen owner (Uno, 1980: 6; Itoh, 1988: 83; Sekine, 1997: 35–37).[3] But the 'desires' of the linen owner are of no consequence to Marx until he embarks on chapter 2. For he first wants to find a way for a definite item, say the '20 yards of linen', to express its value, and he considers various ways in which to do this. In this context it makes no sense to vary the amounts of linen, because these different amounts would have different values.

Of course, nothing hangs on choosing '20 yards' as the example. But it is important to notice in this context that 'linen' as such cannot have a value: a value expression is necessarily quantitative. Moreover, since the purpose is to specify the *value* of the '20 yards of linen', the amount of the equivalent has nothing to do with satisfying 'desire', because that is oriented to *use-value*.

The general form

Let us look more closely at the expanded form: 'The value of A is expressed in B, or C, or D, etc.' This makes it seem that the value essence has multiple alternative bearers, which contradicts the requirement that order and homogeneity obtain generally only with a unitary essence. These equivalents of A logically exclude each other from appearing as the value essence, yet none can effect such an all-round exclusion of the others because none has anything about it that could be the basis of a special force of attraction of A. Rather, all are available for the value of A to determine itself to B, or C, or D, etc. If the expanded form of value is *reversed* we therewith reach the general form of value, to wit 'The value of B, and C, and D, etc. expresses itself in A'. The defects formerly noticed (that the simple form is not general and that the expanded form lacks unity) are overcome here because A is the unitary value form of commodities generally.

It is instructive to consider the meaning of this reversal more closely. The significance of the dialectic of this reversal is rooted in the asymmetry of the poles of the value expression. To begin with, let us distinguish two things that might be meant by reversal. 'Reversal' may mean moving from the perspective of commodity A expressing its value in B to that of commodity B taking A as its equivalent, the two expressions being considered side by side, so to speak, as having the same content but different formally in that the 'sense' of the expression runs in a different direction. Nothing is changed if a whole set of commodity A's equivalents is taken as reversed, such that A is the common point of reference. Another meaning of 'reversal' is that what is reversed is the original expression of commodity A's value in its equivalents, such that this origin is *preserved* in the reversed expression, along with the positing 'activity' of commodity A. The two expressions are not side by side but dialectically determined as *related* through opposition.

I adopt this second point of view. The dialectic moves from commodity A determining use-value B as the expression of value because it can't be use-value A, to commodity A determining *itself* as containing the essence of value, when by the negation of the negation it reflects all the original alternate equivalents into itself. Moreover, as the unitary and universal form of value, A exerts a special force of attraction on the other commodities. In order to explicate

this, let us draw on Hegel's dialectic of 'force and expression'. Hegel points out that, while a force proves itself only in its expression, in its effect on something, the nature of the latter is the necessary complement of the force. Gravity attracts apples but not rainbows. The force requires 'solicitation' by that which suffers its effect. The first force and the soliciting force are therefore merely two moments of a whole relation, and share a common content. Just so, if commodity A expresses its value in a definite amount of commodity B, at the same time it is enabled by B to reflect on its nature as value. B solicits A to recognise it as the means whereby value may be realised. It follows that commodity A, just in so far as it posits commodity B as its own equivalent, conversely posits itself as a value equivalent of B. If all the commodities in equivalent form solicit a value expression in this way, this allows A to posit itself as their *unitary* equivalent.

Abstracting out this reverse movement gives the general form of value. In this form, the universal equivalent solicits the other commodities to solicit it as their unitary form of value. Thus A, while now universal equivalent, does not simply assume the role of *passive* equivalent as it would do if we considered an *original* one-sided relation of B, C or D to A. It preserves its active role when it attracts the other commodities to express their value in it. It determines itself thus as *essentially* value, becomes value-for-itself, through the mediation of the other commodities (rather than having merely implicit value as in its original position). Value is now to be understood as *self*-related. *As* its reversal, the general form is a more complex form than the expanded form, implicitly preserving it or, more precisely, dialectically sublating it.

This reversal is also present in Marx's derivation of money, and it is attacked by the Uno school. Itoh criticises the Marxian reversal of the expanded form into the general form on the grounds that it contradicts Marx's earlier exposition according to which the commodities in equivalent form play a passive role; the same commodities are now suddenly required to play the active role required by their repositioning in relative form (Itoh, 1988: 84–5; Itoh & Lapavitsas, 1999: 263, n. 5). This acute criticism has, I hope, been defused by my account of the dialectic of force and expression above.

It is not a question (as Marx unfortunately implies that it is) of different owners offering competing determinations

of value such that 'the value of A is B' is countered by 'the value of B is A'. These different, indeed contrary, locations of the appearance of value cannot coexist within a consistently framed universe of value. The solution is that commodity A determines itself to the position of unitary equivalent by a process of negation of negation (which differs from a flat contradiction). First, value is located not in A but in B (i.e. *not-A*), then declared not in B but in *not-B* (i.e. in *not not-A*) i.e. A; but as the outcome of the *dialectical* (not *formal*) reversal, A now *contains* in sublated form the opposition of relative and equivalent forms within itself, *actively* determining itself to the position of value in autonomous form, attracting the other commodities to it accordingly. Likewise, this dialectical understanding of the form of value shows that the simple form and the expanded form are not false starts to be discarded once the general form is found: they are moments in the fully-developed form, sublated in it. Finally, the opposition of active and passive poles is itself sublated in the general form. Now there is *reciprocity of forces*, to be concretised in the money form, such that it is useless to ponder whether commodity values express themselves preferably in money or whether only money, not other commodities, attracts all commodities to it because it counts as value as such.

The money form

The derivation of money flows from the requirement that value appear in autonomous form. It is of course true that logic alone does not designate the unique universal equivalent, since there are no formal properties distinguishing one commodity from others once the material specificity of use value is disregarded: all can aspire to the role of universal equivalent. However, Marx admits that social custom must select the universal equivalent through excluding it from standard commodities. His point is that logically there must be a unique unitary form of value, and that this must be developed from the inversion of the expanded form so as to give it universality. What is crucial is that the many possible 'universes' of value starting from every commodity that may end up excluded from others so as to serve as universal equivalent, e.g. linen, evaporate when gold is excluded by the other commodities in practice in

order to condense the value sphere around its singularity.[4] Such is the money form of value. A simple relation, e.g. 'one ton of iron is worth two ounces of gold', is sufficient now to express the value of iron in a socially valid manner. Money achieves this because it is value in autonomous form opposed to regular commodities, which as value-in-themselves require validation in the price form. The logical point is that all commodities must so act as to exclude one commodity from relative form. There is no sense in excluding more than one, and it is impossible for all to be excluded.

It is necessary that a certain commodity be a *unique* bearer of this form. One must carefully separate this logical requirement from the selection of an appropriate empirical instantiation of money. Historically, gold was chosen although something else could have been; but once the universal equivalent is gold, there is no 'room' for anything else to run through the dialectic of form to reach this position.

One more thing that distinguishes the money form from the purely general form is the requirement that the commodity excluded from the rest has to *embody* adequately the conceptual character of value. It is to be 'a body of value', to give body to the logic of value. So the purely formal requirement that a universal equivalent be selected has to be supplemented on the material side by suitable natural characteristics of the money commodity. It must provide a material model of value in being homogeneous, divisible, etc.

Moreover, it must be a suitable vehicle for the functions of money such as measure, medium of circulation and store of value. Although money is to be used, it is important to its functioning as value incarnate that its use should not entail its being 'used up'. It requires an immortal body. (Gold is nearly perfect; its defect is its susceptibility to abrasion.) To begin with, we abstract from the specificity of use value; but the logic of the form of value results in specific use-value requirements for money. Thus the money commodity is the *actuality* of value.

Uno criticises Marx's money form for having the same quantity of money, to wit two ounces of gold, as the general equivalent, complaining that this only occurs in a special case—the ten-cent store (Uno, 1980: 8 ff.). But this identical two ounces of gold is the legitimate result of the reversal of his expanded form. It has nothing to do with an empirical price list. What it actually expresses is that all commodities

may be equated with each other in the right amount, because there is a definite transitivity in the price form of commodities.[5]

The logical necessity for money to actualise value is independent of the *process* of exchange. Thus this fundamental determination of money is not identical with the common observation that money is 'immediately exchangeable', or that it has monopoly purchasing power. This is because the derivation did not discuss sale and purchase; on the contrary, it implicitly assumed that all commodities were exchangeable. Hence, the designation of money as immediately exchangeable becomes necessary only when the process of exchange is problematised. In that context, too, the motives of the commodity owners participating in exchange become relevant.

II — The actuality of exchange

In this section, we once again start from a situation without money, and we assume that commodities exchange as value equivalents. However, the focus is now on the owners whose need for *use value* is necessarily the motive for exchange (at this level of analysis). It is of great interest to the theory of value to see if this motive can generate money. We shall see that the answer is in the negative, and that the fundamental definition of money is that of value in autonomous form.

In the first part, we saw that the logical requirement of a value *universal* had to be particularised in a money commodity to be actual. In the second part, the need to realise the *particularity* of use value raises the issue of a universal use value, a universal commodity, ensuring that the particular commodities are commutable within the same space of exchange.

So let us attend to the process of exchange. We assume that all owners of commodities are alien to each other, and that they meet in the marketplace as such. We follow Uno's precedent in considering first the situation of a commodity owner making a proposal for exchange to another. But I shall draw from my interpretation of such an 'opening gambit' quite contrary conclusions to his. However, while I object to his conflation of chapter 1, section 3, with chapter 2, I shall follow his idea of correlating value forms with such gambits.

Definitions: *A*, *B*, *C*, etc. are owners; *commodity*(*a*), *commodity*(*b*), *commodity*(*c*), etc. are their commodities; *A*>*B* means *A* makes an offer to *B*; *commodity*(*a*)>*commodity*(*b*) means the simple form of value. 'Selling' is the act of realising value. 'Buying' is the act of converting value into use value.

The opening gambit

Without money, it seems impossible to say whether an offer to exchange (*A*>*B*) is a proposal to sell *commodity*(*a*) or to purchase *commodity*(*b*). However, it *is* possible to address the *motive* of A's opening gambit. I argue that it is an offer to buy *commodity*(*b*) for the following reasons. In simple circulation, *A* sells *in order to buy*; i.e. he essays *commodity*(*a*)>M>*commodity*(*b*). If money drops out, the moment of sale (>M) drops out, and *A* is trying to buy *commodity*(*b*) *directly* in the hope that *B* will accept *commodity*(*a*) as a valid means of purchase. *A* has no need for *commodity*(*a*), and therefore hopes to use it as a means to acquire something he does need.[6] But key to my argument is that *A* wants *commodity*(*b*) in a *definite quantity*—one coat, not two. *A* possesses bales of linen which are of absolutely no use to him, and he wants to employ them in order to secure what he does want. However, while he is not worried about quantifying the amount of linen he is prepared to part with, he does have quantitative worries about the use values he acquires. He does not offer 240 yards of linen in exchange for 12 coats, because they are of no use to him: he wants one coat—no more, no less—and he hopes to get it for 20 yards of linen. The same happens when he goes round the market trying to secure definite quantities of tea, sugar, potatoes, etc: when he haggles, he varies the amount of linen he offers, not the quantity of the stuff he is buying.

The opening gambit is an offer to buy because the quantity demanded is required by *A* as a use value, and therefore in definite limited amounts, whereas the quantity offered has no constraints arising from use value. *A* is using it in order to acquire a use value as if linen were *money*, i.e. means of exchange. He is a purchaser, not a seller. Notice that because *commodity*(*b*) is wanted in a definite limited quantity, this means that its value equivalent in *commodity*(*a*) must also be determined as a definite limited quantity. If *A* were a seller interested in realising the value of *commodity*(*a*), the gambit would take the form of an offer of *any amount* (or a

unit amount) of *commodity*(*a*) for its value equivalent in *commodity*(*b*), *commodity*(*c*), etc., as if *A* did not care that he therewith acquires surplus *commodity*(*b*), an inadequate amount of *commodity*(*c*), etc. But the notion of 'sale' is senseless here anyway because *commodity*(*b*) or *commodity*(*c*), etc., is no better a form of realisation of value than is *commodity*(*a*): value is still imprisoned in use value.

To realise the value of *commodity*(*a*) requires that there exist value in autonomous form, namely money. As values, all commodities are indiscernible even if their bearers are differentiable. There is no point in realising the value of *commodity*(*a*) in *commodity*(*b*). This would have a point only if *commodity*(*b*) had a special quality, namely immediate exchangeableness.

If *A*>*B* is an offer to buy, what expression of value is implicit? The first thing to notice is that *A* has no basis on which to derive an expression of value of *commodity*(*a*), because his offer is purely *subjective*: an aspiration to exchange, merely. He has no idea whether his *commodity*(*a*) is a use value for others, still less whether the terms of his offer are acceptable. *B*, by contrast, becomes aware that he *objectively* possesses a social use value (at least, *A* wants it), and he has the chance of realising its value if he agrees with A's estimation of *commodity*(*b*)'s worth. So there is an asymmetry in that *commodity*(*b*), but not *commodity*(*a*), is posited as a genuine commodity. Only *if B* accepts the offer is *commodity*(*a*) *posited* as a genuine commodity, and the objective existence of a value relation established. What is it? *A* wants commodity(*b*) as a use value; but as a condition of obtaining it he must offer at least what it is worth. The gambit by *A* attempts to assure *B* that *commodity*(*a*) is the equivalent of *commodity*(*b*). The offer therefore postulates *commodity*(*b*) in relative form of value and *commodity*(*a*) in equivalent form. *B* can endorse this if he chooses, and sell *commodity*(*b*).

Notice that, if we recall Marx saying that the 'relative' commodity is active and the 'equivalent' commodity is passive, and if we accept that the activity of *A* initiated the value relation, the arrows *A*>*B* and *commodity*(*b*)>*commodity*(*a*) are *reversed*. Whereas the Uno school makes them parallel, as we shall see, they should be *reflected back*. The activity of the gambiteer cannot bring his own commodity 'to life'—it may be rubbish—but he does bring to life *commodity*(*b*) in giving it the objective opportunity to determine itself to a possible

value equivalent, should it recognise *commodity* (*a*) as such. In the gambit, *A* is saying '*commodity*(*a*) IS the value of *commodity*(*b*)', not '*commodity*(*a*) HAS the value *commodity*(*b*)'.

However, there is a major problem about *A*>*B* as we have understood it so far. *B* is not *interested* in thereby realising the value of *commodity*(*b*). Just like *A*, he is wanting to use his *commodity*(*b*) as a means of purchase, so as to acquire definite quantities of other commodities. Even if he is into linen, he may not want twenty yards but ten, or forty. So the contradiction of simple exchange is much worse than the issue of the quality of the commodity. *A* really does want a coat and *B* really does want linen; but this does not allow *A* to buy, because in reply to his offer *B* may say: 'I'll only exchange with you if you give me forty yards for two coats'. *A* will reply: 'But an extra coat is worthless to me!' The problem is that both parties want to determine the *absolute amounts* for themselves, even where they agree on the value *ratio*.

It follows from this that no solution to the contradictions of exchange is yet found. Even if there is a commodity that is generally wanted, it has to be wanted in *any amount* if it is to be an acceptable means of exchange. Even if everyone wants linen, *A* still does not have a general means of exchange, because linen is wanted as a *use value*, hence in a specific quantity, so *A* cannot get people to accept his offer to buy at the amounts he offers (and if *B* only wants ten yards, *A* can hardly buy half a coat). As we know, it is buyers who are interested in absolute amounts, whereas sellers will sell any amount at the 'right price'.

The problem of exchange

The simple exchange system is dominated by the need to acquire *use value*, and that is the only reason driving anyone to market: one's own commodity is merely a means to satisfy one's needs indirectly through the swap. It is not produced with a view to realising its value by sale. Value here is a constraint on ratios of exchange, not the motive of exchange activity. Even with C-M-C, it is clear that one sells in order to buy only because one cannot buy direct. Only capital is interested in selling, because its object is value. For others, selling is simply a means to buy. In simple exchange, the

logically fundamental relation is buying because its object is to acquire definite use values. The contradiction in the elementary process of exchange is that everyone wants to be a buyer but no one can be, because no one has a generally accepted means of purchase. If *B* does not want *commodity*(*a*), it is no use *A* protesting that he is offering a value equivalent of *commodity*(*b*): *B* is not interested in value but in use value, just like *A*. Exchange stalls because no one wants to be a seller.

How might a solution arise? It might happen if *commodity*(*b*) became empirically the 'universal commodity', the one that everybody wanted. Suppose winter is coming and everyone decides that they need a new coat, and makes offers to *B*. Inundated with such offers to buy, *B* is now in a sufficiently strong position to impose *himself* as buyer and to force the others to turn into sellers. For example, *B* says to *A*: two coats buy forty yards of linen. When *A* protests that (even though this proposal is a fair exchange) he only wants one coat, *B* says: I have here a list of people who came to me for a coat but whose commodities I did not want; you can easily trade that extra coat (i.e. employ it to buy something of use).

If *A* accepts *B*'s offer he has become a seller, because he has accepted a coat that is of no use to him *as a coat*, but which *B* has convinced him has a new use value—that of power of purchase. Coats have now become empirically *the universal commodity*, because possession of them allows the owner to turn one into any other commodity. Now everyone will accept the role of seller and give *B any* quantity he demands, indifferent to how much use value is in the value equivalent *B* offers.

BUT COATS ARE NOT MONEY. They are currently the 'most marketable' commodity; but final demand is still for the *use value* of the coat. They gradually leave circulation, and *B* must then wait until they wear out. The coats then are finally all realised *as use values*, even if transitorily *A* accepted one as a non-use-value. The story above is a roundabout barter. But money is never bought, it only buys; it is never sold, so it never leaves circulation.

Money is *opposed* to commodities in being wanted for quite different reasons, as the instantiation of exchangeability as such, opposed to any *specific* want that might lead to a purchase oriented to consumption; money must never be consumed.

So there is a conceptual difference between the empirical universal commodity (above, the coats) and the value universal borne by commodities but *opposed* to them as use values, and becoming autonomous in money. Only this explains why world money is not corn, or linen, or knives, but a luxury item (gold). There is no empirically universal commodity (bread is rejected by those with gluten allergies; gold by those who think ornamentation vulgar), but to then take the 'most marketable' is in any case to miss the point of the conceptual difference between an empirically, universally saleable commodity, and money as autonomous value never sold.

All commodities aspire to be means of purchase so as to buy others. But none is acceptable, because of commodities' limited character as use value. The problem of actualising exchange is solved if there is something incarnating what commodities have in common—a 'universal commodity' that everyone will accept in any amount. But since all use value is inherently particular, the only way of introducing universality is to find some commodity that is *special as not-use-value*. Looking back to the first part, it is the universal equivalent form derived there, *excluded* from those in relative form. Given that special commodity, use values can circulate through sale as values. This money commodity stands to regular commodities as their negative unity—something they are *not*, but to which they have a common relation. Something that imposes commonality on heterogeneity is not any empirically given use value, differing from others only in its popularity, but something of 'pure exchangeability', unlimited by specific need; and this *abstraction* from the heterogeneous existence of commodities is the basis of the incarnation of value-for-itself.

A popular use value cannot just be *nominated* as medium of exchange for its convenience; money plays the role of 'universal commodity' because it is wanted *as value*. So money has immediate exchangeableness, meaning that anyone selling will accept it only because it represents, not its *material* use value but the *formal* use value of constituted value, and it has that in direct proportion to its amount (note that the usual marginalist qualification does not apply here because no material satisfaction is involved).

In the context of the process of exchange, the most important *use value* of money is that of monopoly of purchasing power. This it has in virtue of incarnating exchangeability as

such. But how is this function of money different from our original definition of value as a power of exchange? The answer is that value is the more abstract form that makes a commodity substitutable as such with others of equal value. This abstracts from use value. Money is derived as a concretisation of value. Presupposed as the bearer of *exchangeability as such*, it acquires a 'formal' use value, purchasing power; it enables its possessor to turn a value into a use value, paradoxically just because it is not limited in its action by use-value constraints on its exchangeableness. Money is universally exchangeable because it is the autonomous form of exchangeability; it has a power of exchange without its use-value bearer being wanted as such. Money as the actuality of value mediates the process of exchange.

III — The Uno school

Throughout this paper, I have commented in passing on the views of Uno and his followers, especially with regard to their criticisms of Marx. In this section, I address their views directly. Unoists situate the forms of value in the context of *offers* to exchange. Everything depends on the analysis of the implications of an opening gambit by one owner of commodities addressed to others.

The opening gambit

The position is neatly summarised in a recent paper by Costas Lapavitsas:

> For any 'accidental' pair of commodity owners, an opening gambit must take place that invites trading interaction to occur. It is suggested here that the opening gambit consists of one trader taking the initiative and requesting exchange with the other. In order to emphasise money's eventual monopoly over the ability to buy, the opening gambit could also be heuristically interpreted as rudimentary 'offer to sell', but it should be borne in mind that selling proper takes place only against money … The commodity owner that makes the gambit is the active, or the relative party. By making the request, the relative immediately puts the other party in the position of passive or equivalent. (Lapavitsas, 2005a: 103)

Earlier, we showed that it is wrong to characterise the opening gambit as an offer for sale, however 'rudimentary' or 'embryonic' (Lapavitsas, 2005b: 557); it is an offer to buy, because the absolute amounts offered are controlled by the desire of the gambiteer to secure the definite amount of use value required, for which he offers the amount of his own commodity that he takes to be equivalent in value to what he requires. This determination of the amount requested by the desire for a specific quantity of a use value is freely acknowledged by members of the Uno school, who start with it (Uno, 1980: 6; Itoh, 1988: 83; Sekine, 1997: 35–37); but it means that their view that the gambit is an offer to sell is questionable. Moreover, the object of sale is to *realise* value, but exchanging one commodity for another fails to do this: it merely *conserves* value.

The amount of linen offered is determined by the fixity of the coat *A* needs; hence he isn't 'selling' *any* amount of linen to *B*, but offering only *such* amount as is presumed equal in value to the coat he wishes to purchase. It is strange that the Unoists assume that in the process of haggling the gambiteer varies the amount he offers, not the amount he is willing to accept. For it is precisely the role of the equivalent to adjust itself to the value of that in relative form which is the *given* amount whose value is to be determined. This is inconsistent with their assumption that the value of *commodity*(*a*) is to be posited.

Moreover, having conceded that this is the case, they then inconsistently fail to draw the necessary conclusion that we have here an offer to buy.

Having set up the gambit as an offer for sale, Uno and his followers proceed by claiming that the opening gambit implicitly sets up *commodity*(*a*) in relative form of value with a posited equivalent in *commodity*(*b*). But, as we have shown, objectively it is *commodity*(*b*) that through the gambit has *commodity(a)* posited as its equivalent. The Uno claim arises from a conflation of the activity of the gambiteer with the active pole of the simple form of value. These are different issues. So it does not follow that the gambiteer 'assumes the position of the relative': he hopes that he has acceptable means of exchange; that is, he 'assumes the position of the equivalent'.

This issue is important because the Unoists deduce that the germ of money is already seen in their supposition that, being in possession of an equivalent of *commodity(a)*, owner

B has at his disposal direct means of purchase (Uno, 1980: 6; Sekine, 1997: 36). But a direct means of purchase differs from a pole of a specific barter in virtue of its universal power of exchange.

The Unoists concede that in the accidental form, immediate exchangeability is set up only with a certain amount of *commodity(a)*, and it may well be that *B* receives no other offers. Nonetheless, they insist that the possessor of one coat can immediately purchase twenty yards of linen if those are the terms offered in the gambit. But this is not the germ of money, because the notion of a purchase by the possessor of means of exchange surely allows the purchaser to specify how much he wants to purchase, e.g. to purchase forty yards, or ten.

Here the terms are dictated by *A*: so it is *A* who is the purchaser, in that he sticks to his offer of only so much of *commodity(a)* as is equivalent to the quantity of *commodity(b)* that he desires. *B*'s desires as posited purchaser do not get a look in, unless he is somehow able to make a counter-offer, e.g. two coats for forty yards of linen, parallel to that of *A*.

If, however, *B* is forced to accept *A*'s terms, he is, like any seller, getting rid of whatever amount he can for its value equivalent. His *commodity(b)* is saleable at least to *A* in the specific quantity that *A* requires, just as in general commodities are not universally saleable, but sell only to those who want them in a definite amount. So I conclude that *commodity(b)* is not directly exchangeable in any meaningful sense. It has no general purchasing power. *B* merely has the option of *bartering* a specific amount of *commodity(b)* for an amount of *commodity(a)*.

The derivation of money

Given their position on what is posited in relative and equivalent forms, the Unoists logically derive their 'expanded' form of value when *the linen owner* extends his offers to many others such that the following value relations are supposedly posited:

20 yards of linen = 1 coat
10 yards of linen = 5 lb. of tea
40 yards of linen = 2 quarters of corn
10 yards of linen = 1 ounce of gold
etc. (Itoh, 1988: 83)

It is argued that this gives linen many 'equivalents'. (But notice that Marx's expanded form of value refers to *all* possible equivalents of a single amount of linen, whereas Uno's expansion is a set of a *limited range* of use values proportionally determined by the needs and desires of the linen owner.[7] As I argued earlier, this confuses the issues of use value and value.)

Naturally, I object to this reading of the list: in my own terms, taking linen as a putative means of exchange, it is a shopping list (but of course, such amounts of linen will not in reality be accepted).

According to my own approach, a form that is a better model for such an 'expanded' form of exchange is found where the coat owner *receives* many offers, rather than where the linen owner *makes* many offers.[8]

However, we are tracing the Unoists' view, so let us consider their next move. They develop what might be called an 'expanded expanded form' by listing the proposals of *all* owners, e.g. besides linen owners, they list those who have tea, coats, etc.

This set of sets offends against the basic principle that a commodity cannot appear in both relative and equivalent form; here, each commodity is supposed to appear once in 'relative' form and an indefinite number of times in 'equivalent' form. This is a contradiction.

Of course, a dialectical exposition may properly move through a contradictory phase. However, Uno does not produce a resolution but only a feeble compromise when the most requested commodity among the so-called 'equivalent' forms is taken as the germ of money. In fact, Uno himself says something strange: that there necessarily emerges a commodity that is always found on the side of the 'equivalent' form of value (Uno, 1980: 7).

But there is no reason to assume that one and only one commodity is always found in so-called 'equivalent form'. Rather, it is improbable that one commodity should be wanted by everyone. Uno's followers therefore content themselves by selecting the most commonly found 'equivalent' and declaring that, because of its popularity, it will evolve into the general equivalent.

It is of course characteristic that, unlike Marx's general form, which features a *single* amount of the universal equivalent, the Unoist selection of the equivalent out of the desires of owners for particular amounts of it results in a table with different quantities of it on the right:

20 yards of linen = 10 lb. of tea
2 coats = 20 lb. of tea
1/2 quarter of corn = 5 lb. of tea
etc. (Itoh, 1988: 85; cf. Sekine, 1997: 39; Itoh & Lapavitsas, 1999: 35)

But this is inadequate compared with Marx's reversal of the comprehensive expanded form so as to secure a unique, complete and unitary equivalent form. The great advantage of the strategy of reversal is that a fully general equivalent is therewith generated which is clearly excluded through the polarity of the form from all other commodities. The Uno approach cannot generate a fully general equivalent.

Thus Unoists proceed not by *reversal* but by *overlap*. The focus is on exchange proportions established on the basis of a commodity owner's desire for a definite amount of the use value of others' commodities, from which it follows that no offer of exchange will be made for commodities undesired. However, some commodities, while not universally wanted, are more popular. Somehow, once the greater desirability of these becomes general knowledge, offers are made for them even by those not wishing to consume them, but with a view to using them as means of purchase. So money is derived as monopoly of ability to buy.

Notice that because the Uno school rejects Marx's strategic 'reversal' they do not end up, in the case of the general form, with the universal equivalent as that commodity originally in relative form (in Marx's example, the linen), but with one that always was an equivalent, hence figured as 'passive' throughout.

Indeed, Lapavitsas underlines his view that 'money is universally passive' (Lapavitsas, 2005b: 557). But money is not passive in relation to other commodities. Possession of money means that *you* may be passive, because you will be flooded with sales literature; but your *money* is active because it is attracting these offers. I think the germ of money as active is seen precisely in the reversal that generates the universal equivalent from the commodity originally in relative form.

The problem with Uno's derivation of money flows from his collapse of the problematic of Marx's chapter 1 into that of chapter 2. Uno and his followers derive money from an offer to exchange based on the request of the gambiteer for a specific amount of the *use value* of the commodity for

which the offer is made. Marx abstracts from use value entirely, and derives money purely from the need to find a unique expression of value that ensures the actuality of value. This feature is lost in the Unoist gradual building-up of the focus on one particular popular commodity that makes the money commodity continuous with other commodities.

There is a radical ontological break between value and use value, and the former wins hegemony over the latter: commodities must be realised first as value before use value. Money as value-for-itself is radically different from the mass of commodities. A falling-apart of wealth as such and specific forms of wealth is a conceptual break—a jump to value from use value, so to figure the money commodity as 'the most requested use value' is inadequate.

Purchasing power

Lapavitsas (2005b) tries hard to distinguish his view from that of Menger; but the two belong to the same family of derivations of money rooted in the activities of commodity owners. Karl Menger (1892) argued that commodities are differentiated with respect to their 'marketability'; eventually, some purchasers appreciate the convenience of holding one as a temporary substitute for their original commodities. This then evolves into the universal medium of exchange. Menger's theory of money cannot distinguish it from a mediation of barter. He himself stresses that the difference between the money commodity and other commodities is merely one of degree, in that the money function attaches itself to that commodity which is most saleable.

As Lapavitsas rightly says, this is bizarre, because the whole point about money is that it is never sold but only buys. However, his own derivation does not adequately ground this. Just as in Menger's case, the money commodity originally differs only in its *degree* of popularity from other commodities, albeit Menger interprets this as saleability whereas Lapavitsas has it as purchasing power.

Then, the claim that this potential money commodity is endowed with direct exchangeability from the start, as a consequence of its positing as such by offers to sell for it, is defective. As I argued earlier, the commodity receiving offers of exchange is rather thus made *saleable*, so to identify this as the germ of money is to repeat Menger. But money is not

to be understood in Mengerian fashion as the most marketable commodity, but as *opposed* to commodities.

For Lapavitsas, the fundamental determination of money is that of 'ability to buy' (Lapavitsas, 2003: 52). This is interesting, because classical political economy routinely defined value as purchasing power; and for Smith, labour was 'the original purchasing power'. The classicals fell into error because in abstracting from money they assumed that labour and its product immediately have the power of purchase.

As we have seen, only money has this immediately. Labour and its product become universal means of acquisition only through the mediation of money. Lapavitsas rightly sees that money has a monopoly of purchasing power. But Marx was surely correct in *defining* money as value in autonomous form, and then *deriving* as *one* of its *functions* its *use* as means of purchase. Itoh and Lapavitsas (1999: 36, 40) seem to define money correctly as the independent presentation of value; but they derive it from direct exchangeability (p. 34 ff.), which is really its result.

However, Marx himself became confused when addressing the tricky expression 'the value of money'. Strictly speaking, this has no sense because money *is* value. Marx says, 'The expanded relative expression of value, the endless series of equations, has now become the specific relative form of value of the money commodity … We have only to read the quotations of a price-list backwards, to find the magnitude of the value of money expressed in all sorts of commodities' (Marx, 1976: 189).

In effect, he therewith strips gold of its money status, and in any case fails to give it an adequate form of value. But this overlooks the fact that the whole point of the relative form was to allow a commodity to express its value in another use value, since it could not express its value in its own natural body. But money *does* express value in its own use value, because its use value counts as value. It has no need to express its value in some other commodity, because as value-for-itself it does not need an expression of value-in-itself as do the other commodities.

Moreover, if the money form is reversed, it does not return us to the expanded form just because gold (now retaining its designation as money) has the special property of incarnating value. We get, I suggest, a new expression of value: 'two ounces of gold is (not "has") the value of: z of A,

and y of B, *and* x of C, *and* w of D, and so on'. This is very different from the expanded form. In the latter, the commodities on the right were alternatives to each other (signified by Marx's use of the connector 'or'). As a result, the commodity on the left could not express its value adequately because it got lost in this endlessness. Now, however, the price form allows money to comprehend this infinity under its own form-determination as the value universal that specifies itself in all commodities (thus we have the connector 'and'). Since gold is already socially constituted as the incarnation of value, it grants other commodities social recognition as values. (Arthur, 2004: 57–58).

What is usually meant by 'value of money' is in fact its purchasing power expressed in the amounts of commodities it can buy. This is not a form of value in the strict sense, because no unitary measure can be constructed except on the basis of an artificial 'basket' of commodities. In any case, 'purchasing power' is in truth the use value of money.[9] In this connection, let us look at a very interesting passage in *Capital* Volume I that addresses the intertwining of money and commodities:

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

> shapes of its use. These antithetical forms of commodities are the real forms of motion of the process of exchange. (Marx, 1976: 199; translation emended).

Here the topic is the process of exchange, but Marx awkwardly includes references to the forms of value from his first chapter. Nonetheless, it is clear that it is the *use value* of money in the context of the process of exchange that is expressed in the totality of commodities it is able to buy.

IV — Exchange value and use value

After this excursion on the Uno school, let us pull together our two main parts. As we have seen, the 'static' analysis of the first part had too many candidates for money, because logically any commodity could serve; but the 'dynamic' analysis of the second could not find any universal commodity to be money, because none is empirically always exchangeable.

Commodity exchange implies two conditions: on the one hand, it presupposes that the identical values find a moment of difference, if only 'ideally', so that one commodity can be value in autonomous shape; and on the other hand, exchangeableness of materially different use values requires a universal mediator—a non-specific use value ideally identically related to all commodities. Money is the solution to both. Posited as the unique realisation of value, money can serve as the universal commodity which is immediately exchangeable.

Exchange is simultaneously of value and of use value as follows:

> i) Exchange of values is mediated in a specific use value (the money commodity) which counts as value in autonomous form.
> ii) Exchange of use values is mediated in a special value (that same money) which has the peculiar use value of monopoly purchasing power.

Money does not 'evolve' from commodities. It is a new value form, required in order to solve the contradictory conditions of commodity exchange by creating a unique equivalent that serves as universal means of exchange. The historical

emergence of money is a matter for research; but this does not affect the logical necessity for money under this double description.

It is interesting to think about the connotations of these different determinations of money. Because money is value in autonomous form, capital is self-valorising value, circulating money for the purpose of accumulation; because money is purchasing power, capitalists monopolising it are able to purchase labour and exploit it for profit.

Conclusion

Money is rooted in the need to autonomise value, and the power of money as monopolist of ability to buy is derivative of this. Whereas Uno interprets the forms of value in the context of the process of exchange, I argue that we must entirely abstract from owners and their proposals in deriving the forms of value at the level of abstraction of Marx's first chapter: the standpoint of owners is appropriate only when the real process of exchange is to be concretely addressed, as it is in his second chapter.

However, if value as a universal appears concretely only in money, opposed to singular commodities, it has a certain formal primacy (Arthur, 2005b). Money is active in positing commodities as values. This prefigures the dominance of buying in order to sell (M-C-M) in developed capitalist relations. In M-C-M, money cannot possibly be seen as passive because a monetary increment is set as the aim of the circuit. Money is the most active thing there is in the economy, and an important goal of any theory of money should be to explain this.

Notes

1. In Arthur 2004, the forms of value are treated analytically in accordance with Russell's theory of relations. The dialectical treatment here may be more difficult, but it is more adequate to the concept of value.
2. Marx says the commodity is '*ein sinnlich übersinnliches Ding*' (Marx, 1983: 85); the Fowkes translation, 'transcends sensuousness' (Marx, 1976: 163), is wrong.

3. However, in Itoh and Lapavitsas (1999: 35) a table presenting the Unoist 'expanded form' is claimed to be that given by Marx (citing Marx, 1976: 155); but it is *not* because, as we have stressed, Marx keeps '20 yards of linen' throughout the list.
4. We have seen that the commodity form and the money form are complementary forms of value. But whether an object takes one form or the other is indeterminate initially. Those familiar with recent physics may consider this by analogy with uncollapsed quantum states, such that when gold 'collapses' to money, the others must immediately 'collapse' to commodities.
5. A transitive relation is one in which if A has the relation to B, and B has it to C, then A has it to C. 'Equality' is the obvious case. Here, if A has the same price as B and B the same as C, then A has the same price as C. Note that the exchange relation as such is not necessarily transitive, because owners of A and C may not know that they have in common a relation to B.
6. Marx twice speaks of *commodity*(*a*) as 'means of exchange' (Marx, 1976: 179, 182), supporting my view that the opening gambit is an offer to buy.
7. Apart from the variations in the amount of *commodity*(*a*), there is also a subtle but important difference between Marx's expanded form of value, where the value of *commodity*(*a*) is *b*, or *c*, or *d*, etc.—that is, the equivalents are *alternatives* (Arthur, 2004) and the Uno school's representation of their so-called 'expanded form' as a set of *coexistent* proposals for exchange by owner *A*.
8. In my account, all want to be buyers and presume that their own commodity is the value equivalent of what they want to buy, therewith implicitly putting the latter in relative form of value. Is there implicit an 'expanded form' capable of inversion? This is *not* implied in the offers *A*>*B*, *A*>*C*, *A*>*E*, *A*>*F* etc., because these express only *A*'s *subjective* hope that he has a general means of purchase. Rather, let us attend to *A*>*B*, *C*>*B*, *E*>*B*, *F*>*B*, etc. Here, *commodity*(*b*) is *objectively* posited, by *A*, *C*, *E*'s offers to buy, as having a large number of particular value equivalents. *Commodity*(*b*) is therefore, in the buyers' offers, posited in 'expanded' form; to wit: *commodity*(*b*)>*commodity*(*a*), *commodity*(*b*)>*commodity*(*d*), *commodity*(*b*)>*commodity*(*e*), etc. If this is reversed, we have a sort of 'universal equivalent' form: *commodity*(*b*) now

becomes a universal means of exchange. But how could this happen? This was discussed in the previous part in terms of the example of the transitory popularity of coats.

9. In making this 'ability to buy' primary, the role of money as measure of value is therewith undermined. Commodities are measured in money, but if money is primarily purchasing power, and its value is measured in the amounts of commodities acquirable with it, a vicious circle is generated in that we return to the original commodities.

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