Michael Heinrich

A Thing with Transcendental Qualities

Money as a Social Relationship in Capitalism

An Introduction to Marx' Notion of Money

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What is money? This question hardly plays a role in everyday commerce. What matters is that there is enough. Bourgeois economic theories reduce money to its economic function. But the ubiquity of money is fateful and presupposes certain conditions. Hence, the critique of financial markets is incomplete when it suppresses certain fundamental social relationships which are reified in money.

"Money makes the world go round." This statement is confirmed at all levels of everyday life in capitalist society: whether the matter at hand is the purchase of breakfast rolls, business investments, or pension funds, the relevant question is always whether there is enough money, and if not, where to get more. What's surprising, however, is that money hardly plays any role in neoclassical economic theory, which enjoys uninhibited dominance in universities and among economic advisers of governments. For the neoclassical school that provides the theoretical foundation for neo-liberal economic policies, money is merely a means of circulation, a practical aid which simplifies exchange and is used as a unit of measurement. But the neoclassical school denies money any intrinsic economic relevance: only "real" quantities, the amount of goods which are produced and exchanged, invested or consumed, are decisive from the neoclassical perspective. The monetary sphere is viewed by the neoclassical school as a veil which hangs over the "real" sphere of physical products. This veil can inflict short-term damage as a result of poor administration (such as when central banks issue too much currency, thus fuelling inflation), but in the long term, the "real" underlying relationships assert themselves. And when markets are allowed to operate without hindrance – so goes the lesson of the dominant neoclassical school - a societal "optimum" (maximum output at the lowest price) should take effect.

For Keynesianism, consigned these days to a minor role in academic Economics, money is of far greater importance than it is for the neoclassical school. Money is not reduced to its function as a means of circulation, rather, its capacity to function as a means of preserving value is pushed to the fore and connected to the fundamental insecurity of conditions in a market economy: money functions as a means of insurance against a principally insecure future. If insecurity is on the rise, according to the Keynesian argument, more money is held "liquid," that is, households and businesses spend less or engage less in long-term investment, in order not to lose their access to money in the short term. This leads to increasing interest rates and a decrease in investment, which in turn leads to declining income and increased unemployment. Keynesianism does not recognize an automatic process capable of remedying such a crisis, hence the necessity for state intervention.

The Keynesian consideration of money is more differentiated than that of the neoclassical school; common to both however is a tendency to largely reduce money to a single essential function. For both theories, money is above all an aid, an unimportant one according to the neoclassical theory, an important one in the case of Keynesianism. The question as to what money actually is, and how it's connected to the specific mode of socialisation inherent to a commodity producing society, isn't even posed.

Money – merely an overrated Instrument?

This question, however, was central to Marx' examination of money. Various currents in the English and French workers movements of the 19th century intended to reform capitalism by changing the monetary system: that is, private commodity production would be retained, but money would be replaced by slips denoting hours worked or certificates of entitlement to goods (similar to a theater ticket). In contrast to these reform efforts, Marx attempted to show that the bourgeois mode of production itself necessitated a particular means of exchange, money, which by its very nature is not as innocuous as a theater ticket.

Individual private commodity producers are connected with one another through the societal division of labor, but their products acquire social character only in retrospect, namely, when they realize their value on the market. In a society based upon exchange, the social character of goods produced does not consist solely of their ability to satisfy the needs of others; products must stand in a quantitative exchange-relationship to one another, they must possess a *Value* in addition to their use-value. In bourgeois society, wealth becomes an abstract quantity: it no longer consists of a multiplicity of use-values and amenities, but rather of abstract "*Value*". But *Value* cannot be grasped by considering a single commodity, because it exists solely in its relationship to other commodities. However, *Value* finds only a limited, coincidental expression in an exchange relationship with another commodity. The value of a commodity can only obtain a universally valid social expression when it can relate to an independent embodiment of *Value* – that is, when it can refer to a thing that stands in relation to all other commodities not simply as another commodity, but as a direct form of existence of *Value*.[1] Only in such a relationship can a single commodity actually assert its character as *Value* independent of its concrete character as a use value. Abstract wealth necessitates a particular material form of existence – and money is exactly that.

In a society based upon the exchange of commodities, money is not merely a more or less important tool; it is a necessary means of economic socialization. Individual commodity producers do not constitute their social relationship to one another as people. Only their products stand in relationship to each other, as *Values*. Precisely because isolated individuals disappear behind their products, social cohesion must – in a very literal sense – become reified (German: v*erdinglicht,* thing-ified), tied down by a thing, money. Money is not simply - as the neoclassical school maintains - a simplification of the process of exchange, which could in principle be dispensed with. Rather, money is the means by which isolated individual commodity producers are first able to stand in relationship to one another.

As money, a thing acquires social properties and social power. Marx describes this "transcendental" quality of a thing as *fetishism*.[2] Such *fetishism* is not merely a delusion, or a sort of "false consciousness." In bourgeois society, money actually does possess the greatest power. However, it only possesses such power due to a specific social relationship which underlies it: atomized commodity owners who can constitute their social relationship to one another only by means of a thing, money. Money only has power because all social actors relate to money *as* money, that is, as an independent embodiment of *Value*. But insofar as individuals act as commodity owners exchanging products, they have no other choice but to stand in such a relationship to money. Having said that, fetishism *does* contain a delusional aspect in that money seems to possess an *inherent* social power. The fact that this power is the result of an automatically executed social process evades the grasp of everyday cognition. The process vanishes in its own result.

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[1] This is shown in the section "The value form, or exchange value" of chapter one of *Capital.*

[2] In *Capital* Marx wrote, that a product is a "sensous thing", but as a commodity a product becomes a „sensous transcendental thing" ("sinnlich uebersinnliches Ding"). The English translation of *Capital* here is not quite correct: "a thing which transcends sensousness" (*Capital*, vol. 1, Penguin, p.163).

Commodity production is thus an impossibility without the correlation between commodities and money. For that reason, there is a principal limit set for all utopian projects; if one wishes to abolish money, the set of societal relationships which necessitate the role of money must also be abolished. One can't have the one without the other.

From Money to Capital

If the totality of the social process of reproduction is mediated by commodity and money, that is, if commodity production is not merely consigned to a niche existence within the framework of a different mode of production (as was the case in the early feudal period in Western Europe), then money acquires a new quality as capital. The autonomous incorporation of *Value*, by means of which the economic socialization of commodity production is consummated, itself becomes the main purpose of economic activity. Precisely because money is the incarnation of abstract wealth, which is not subject to any immanent limits, one can never have "enough" money at one's disposal. Trade and production should not only generate money, they should also generate continuously increasing sums of money. The generalization of commodity production is only possible when production itself is transformed into capitalist production, when the multiplication and augmentation of abstract wealth becomes the direct goal of production and all other social relationships are subsumed to this goal. The "destructive power of money" which was the object of much criticism in many pre-capitalist modes of production (by many authors in ancient Greece, for example) is rooted precisely in this process of the capitalization of society as a result of the generalization of the money relationship. Market socialist conceptions that aim to abolish capitalist production while still retaining the market, commodity production, and money (because of their "efficiency" in the areas of production and innovation) run up against the fundamental problem of how to prevent a re-capitalization of society without inhibiting the "efficiency" of the market.

Capitalist Production and Financial Markets

Because social cohesion in a society of commodity exchange is first established through money, money also has the power to disrupt this cohesion: the "possibility of crisis" - which Marx already makes note of in the third chapter of *Capital* - is a given with money. Not only does money mediate exchange within the commodity-money-commodity chain (one sells one's own commodity in order to subsequently purchase other commodities), it can also interrupt this mediation: sale without accompanying purchase (that is, the money taken in upon sale is not used for further purchases) leads to a rupture in the chain of reproduction. Once this happens, produced goods can no longer be sold; production is limited or partially stagnant. The consequence of this is unused capital on the one hand, and unemployed forces of labor on the other. But a series of further circumstances are necessary in order for the mere possibility of crisis to go so far as to become an actual crisis.

In traditional Marxism, these circumstances are located primarily in the conditions of capitalist production, such as in the "law of the tendency of the rate of profit to fall". In contrast, money and credit play a secondary role as mere "phenomena of circulation." As a result of a one-sided approach focused on production, one loses sight of the fact that, just as commodity production without money is impossible, capitalist production cannot exist without credit (as well as advanced forms of the same, such as credit-money, capital stock, etc). Precisely the flexible character of capitalist production rests upon the fact that accumulation does not encounter its limits with the realized profit of the previous period of production, but rather can be expanded far beyond it by means of credit, which implies the danger of crisis and overproduction. However, credit is dealt out (or shares applied for, as the case may be) only in those sectors where a high level of future profit can be expected. In that respect, a strong speculative element is inherent to the entire financial system. This speculative element is further

strengthened through specific financial instruments such as options (entitlements to the purchase of specific shares at a previously determined price). However, a speculative element is inherent in every specific instance of capitalist production: an entrepreneur can never be completely certain whether his products can be sold and at what price, or whether investments that he makes will bring the expected level of profit in the future. So credit and speculation are in no way external instances which are brought to bear upon an otherwise non-speculative capitalist production. Without a financial sector and speculation, capitalist production is impossible.

It is not only the case that this correlation should be more strongly taken into consideration within the field of crisis theory than was done within traditional Marxism. It is also a matter of importance for the contemporary critique of globalization. It is commonly the case that criticism is directed against an "unleashed" capitalism whose destructive powers appear to be driven by a speculative financial system. That the financial system sets standards of profitability and cost-effectiveness which individual enterprises must comply with should they wish to obtain credit or issue stocks, is in no way a recent phenomenon. The financial system has always had such a "control function." What is new is that in the last few decades, a largely internationalized financial system has emerged, which increasingly dictates international standards of capital valorization. If the increase in speculation is seen as the main cause of the ills of capitalism, which is therefore in need of regulation, the necessary interrelationship between the financial system and capitalist production is torn apart and – at least tendentially – a "good", productive capitalism is contrasted with a "bad", speculative financial capitalism. In no way is the amount of regulation necessary in order to "effectively" regulate capital flows predetermined, so in that sense the demands of globalization critics for more regulation are not automatically unrealistic or impossible to implement. However, one is entitled to doubt whether such regulation would lead to the disappearance of capitalism's more unpleasant aspects. Even in a highly-regulated capitalism, the satisfaction of needs and wants, the elimination of social inequality, or even a good life are not the aim of economic activity, but rather valorization, the accumulation of abstract wealth – an end for which humans and nature are only means, and accordingly handled as such.