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Value-form and the mystery of money

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Abstract

Value-form is a theory Marx first developed in Capital vol.1 to solve the mystery of money. He seemed convinced that he had finally solved the mystery of money by reducing the money-form to the general value-form. However, his explanation of the transition from the latter to the former with the phrase 'by social custom' is not satisfactory. I consider that, as long as a logical derivation of the money-form from the general value-form is unsuccessful, the mystery of money is not yet completely solved. I attempt first to rehabilitate the simple value-form, comparing it with real value expression in price (money-form), emphasizing the distinction between the expression of value and the measure of value, and the asymmetry of the value-form. Thereby, I explain that Marx's complicated exposition of the value-form stems from his postulate of the labor substance of value in the first chapter of Capital vol.1, which can be proved and developed later in the production process of capital. Rehabilitation of the value-form can expose a fundamental difference between the general value-form and the money-form, and provide a logical derivation of the money-form. To achieve this aim, it is necessary to reformulate the logical structure of the theory of commodity based on the concept 'the world of commodities', which comes to appear more frequently as Marx's theory of value-form advances.

Keywords

equivalent value-form, general value-form, money form, mystery of money, relative value-form, simple value-form

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Marx's exploration of the value-form began with his critique of Ricardo's (1953 [1821]) labor theory of value, which treats the expression of value or the measure of value with money as a mere social convenient device. Marx attempted to solve the necessity of the value of a commodity to appear as exchange-value or price by analyzing the genesis of money from the commodity exchange. In *Critique*, Marx (1970 [1859]) tried to solve it in the exchange process of commodities in vain; in *Capital* vol. 1, he succeeded in discovering the value-form by inquiring into the issue of logical genesis of money as the value expression from the simple value-form to the money-form, independently of the exchange process, which was relegated to Chapter 2 in *Capital* vol.1.

Value-form is a term which Marx (1994 [1867]) first used in *Capital* vol. 1, the first edition, and in its preface he is proud of his success in solving the mystery of money, which for 2000 years had baffled economists. While I admit that his discovery of the value-form is epoch-making, his solution to the mystery stops short of sufficient success, because of many deficiencies in his theory of value-form. To examine these in-depth, we must first confirm the methodology of *Capital*.

The first chapter of *Capital* vol. 1, The Commodity, is the most abstract concept with which *Capital* starts to logically reconstruct a complete capitalist society. From the first, he takes up the commodity as labor product, for he clearly realizes that only a capitalist economy is able to produce all labor products as commodities. First, I would like to take up one issue: whether Marx's beginning with the concept 'the commodity of labor product', not the commodity form, is valid or not.

In the first section of the chapter, he defines value as abstract human labor objectified in a commodity product. I consider identification of the substance of value as abstract human labor to be correct. However, it is proved and developed only later in the production process of capital, which can be introduced with the emergence of a commodity labor-power and industrial capital. On that level, for the first time the substance of value or the law of value has been established. Labor-power is not included in the world of commodities in the first chapter because it can become a commodity only for industrial capitalists; when industrial capital is abstracted from, commodity labor-power is also abstracted from. Marx's introduction of labor-power commodity after the theories of commodity and money (simple commodity circulation) has profound significance. The reference to the substance of value, labor, in the first chapter is not only too early but also misleading. Even if the definition is provisional, its early reference never fails to cause confusions regarding the theory of commodity. I call such a logical mistake an 'error of logical pre-emption'. We can find not a few such flaws in *Capital*. This is a typical one.[1]

Owing to his persistence concerning the substance of value in the first chapter, Marx is bound to refer to such terms as labor product, useful-labor, abstract labor, production, producer, social labor, private labor, and social division of labor. Consequently, Marx's exposition of the value-form becomes, I think, too complicated and confusing to understand merely by its interpretation.[2] In this article, therefore, I attempt two tasks in parallel: the one is to show that the first chapter, especially the value-form, can be developed without reference to labor, production and producer; the other is to note how Marx's reference to the substance of value disrupts his creative epoch-making value-form theory. This new approach was first published by Kozo Uno in Japan, 1950.[3] Since then more than 60 years have already passed, and the theory of the value-form in Japan has in one way or another developed. Hence those persons I criticize here include not only Marx but also Uno and Unoists.

Difficulties with the simple value-form

Denoting the simple value-form as 20 yards of linen = 1 coat or 20 yards of linen are worth 1 coat, Marx warns the readers that 'the whole mystery of the form of value lies hidden in this simple form. Its analysis, therefore, is our real difficulty' (p. 139, the last sentence is cited from Progress version *Capital* vol.1 (1970 [1873]: 48)). In fact its analysis is so difficult that even Marx himself, I think, is unable to sufficiently succeed in it. We find the following at the beginning of the third section of the value-form.

Now, however, we have to perform a task never even attempted by bourgeois economics. That is, we have to show the genesis of this money-form, we have to trace the development of the expression of value contained in the value-relation of commodities from its simplest, almost imperceptible outline to the dazzling money-form. By doing this we shall, at the same time, solve the riddle presented by money (Marx 1976 [1873]: 139).

This remark apparently means that in the third section the most real concrete is the money-form and the most abstract-simple is the simple value-form, and that by successfully developing the money-form from the simple value-form he will solve the mystery of money. Marx is proud of this attempt, calling it 'a task never even attempted by bourgeois economics'. I think Marx's (1976 [1873]) discovery of the theory of value-form 'marks an epoch in the history of mankind's development' (p. 167),[4] but his value-form and money-form, as will be shown later, still remains incomplete with not a few deficiencies and the mystery of money has not yet been fully solved.

What is the simple value-form?

Does the equation 20 yards of linen = 1 coat mean that the two commodities are exchanged? Apparently Marx understands it that way, as his example 'corn and iron' in the first section shows. His subtitle 'accidental form of value' also suggests this.[5] He knows that it is difficult for two commodities to be directly exchanged, and that when it occurs it is accidental. He maintains that 20 yards of linen is in the relative form of value, that 1 coat is in the equivalent form, and that the two forms have an opposing but complementary relation: two poles. Although he stresses that only 20 yards of linen can express its value with 1 coat, and not vice versa, he admits that it 'also includes its converse 1 coat = 20 yards of linen' (Marx 1976 [1873]: 140). Why does Marx make such a contradictory remark? For Marx, 20 yards of linen = 1 coat means that the two commodities contain an equal amount of objectified labor, thus the simple value-form occurs; without the assumption of an equal amount of objectified labor, value expression is inviable. Most Marxian economists typically follow this idea.

However, Marx (1976 [1873]) shows an acute insight into commodity exchange, when he states in the second chapter, Exchange Process, that 'the direct exchange of products has the form of simple expression of value in one respect, but not as yet in another' (p. 181). This sentence shows his insight that if two commodities are directly exchanged, then the exchange is not commodity exchange but rather barter, x use-value = y use-value. Here we face a dilemma: if the two commodities are not exchanged it cannot be the simple value-form; however, if the two commodities are directly exchanged the transaction turns into barter, not the simple value-form.

To resolve this issue, we should turn to the money-form, the value expression of commodities in money, a real concrete form from which the simple value-form has been abstracted.

The price or money-form of commodities is, like their form of value generally, quite distinct from their palpable and real bodily form; it is therefore a purely ideal or notional form. Although invisible, the value of iron, linen, and corn exists in these very articles: it is signified through their gold, even though this relation with gold exists only in their heads, so to speak. The guardian of the commodities must therefore lend them his tongue, or hang a ticket on them, in order to communicate their prices to the outside world (Marx 1976 [1873]: 189).

Marx's above statement in Chapter 3 Money, Section1, Measure of Value, however, is the issue concerning the expression of commodity value in money, therefore, it should be discussed in the money-form of the first chapter on the commodity. The simple value-form is also 'a purely ideal or notional form'; the commodity owner's desire to obtain the other commodity by offering his or her own commodity in exchange for it to the outside world, the primitive market. In this case, there is no need for the presence of a coat owner at the scene, it is a unilateral offer or expectation for exchange by the linen owner. 20 yards of linen = 1 coat is the relation in which the linen owner wants 1 coat in exchange for 20 yards of his or her own linen. Just as in the real-value expression of a commodity, pricing (money-form), so in the simplest value expression, the relation with the coat exists only in the linen owner's head. Value expression in price is the commodity guardian's appeal for money to lots of unknown money holders on the market. As money holders are not yet present, it is not certain whether or not the commodities can be actually exchanged. This is why Marx stresses an ideal, imaginary character of value expression in price.

In 20 yards of linen = 1 coat as well, we should consider that this value expression is the linen owner's subjective, unilateral offer of exchange for 1 coat without the presence of the coat and its owner on the scene; thus it is yet unknown whether or not the two are actually exchanged. As a result, it is clear that the equation formula can neither include 1 coat = 20 yards of linen nor reverse itself. Marx states that when reversed, this becomes a different value equation. If the coat is in the relative form of value, then the coat owner may want another commodity, not linen. Among many coat owners there may be a coat owner desiring linen, even in this case it is not certain whether he or she proposes the same exchange rate. Therefore 20 yards of linen = 1 coat never means that two commodities are exchanged. Marx's 'accidental value-form' is inappropriate; the direct exchange of the two commodities is accidental, however, the simple value-form is not so. Marx's flaw comes from his early postulate of value as objectified labor in the two commodities.

This principle of the simple value-form, I think, penetrates from the expanded and the general value form through the money form. Therefore, I am convinced that Marx's logic in introducing the general value-form by reversing the total expanded value-form is entirely wrong. I will address this issue later.

Is the value-form a relation between commodity and commodity ?

In the Appendix of the First edition of *Capital* vol. 1, interestingly, Marx explains the simple value-form as follows.

Let us consider exchange between linen-producer A and coat producer B. Before they comes to terms, A says: 20 yards of linen are worth 2 coats (20 yards of linen = 2 coat), but B responds: 1 coat is worth 22 yards of linen (1 coat = 22 yards of linen). Finally, after they have haggled for a long time they agree: A says: 20 yards of linen are worth 1 coat, and B says: 1 coat is worth 20 yards of linen (Mohun 1994: 13).

This illustration was dropped from the Second edition. This fact indicates that Marx thought it was inappropriate. While he did not explain the reason, his value form theory in the second edition strengthens the view that the value-form is a relation between commodity and commodity disregarding both owners, a world in 'the language of commodities' (Marx 1976 [1873]: 143). Marx seems to consider that the relation of the two commodity owners should be examined later in the second chapter The Process of Exchange.

Based on my view, both ideas (the value-form is a relation between the two owners or that between the two commodities) have fatal flaws. First, the characteristic of the value-form is that despite an exchange relation between the linen owner and coat owner, the linen owner's unilateral exchange offer is extended without contact with the coat owner. 20 yards of linen = 1 coat includes no contact, no negotiation, and no agreement between the owners. Of course, if a coat owner desiring linen appears and agrees to the exchange rate, then the exchange is realized at once. This is, however, another phase of commodity exchange. Therefore, every commodity exchange has two phases: the offer of exchange and the realization of exchange. The value-form, the expression of value, concerns the former; the measure of value concerns the latter. Thus Marx's explanation of value expression in price in Chapter 3, the Measure of Value, is inapposite.[6]

Second, the view that the value-form is a theory between commodity and commodity is still prevalent among Marxist economists worldwide.[7] When one observes real value expression in price on the market, it is self-evident that value expression never occurs without commodity owners in the relative value form. The same holds true in all value-forms. The relative value form cannot exist disregarding the commodity owner wanting the equivalent commodity; the latter exists in the mind of a commodity owner in the relative form avoiding direct contact with the opposite owner. Value-form as commodity exchange is neither solely a direct relationship between commodity owners nor one between commodity and commodity abstracting from their owners.[8]

Historically, it is true that commodity exchange or market economy originated in barter; however, all types of barter necessarily developed into market economy. Only those types of barter in which exchangers were foreign to each other, that is, they did not share the same social native bond such as community, blood, race, language, or religion, evolved into commodity exchange. Just as foreign trade is always a great accelerator of market economy, so the foreignness between exchangers is an essential element of market economy. By contrast, most cases of barter occur based on the relationship between person-to-person, regardless of whether they are friendly, subordinate, democratic, or not. In this case, barter never advances into market economy, rather suppresses commodity exchange or market economy.

It is also incorrect to consider that 20 yards of linen = 1 coat is not commodity exchange relation but rather must be barter because it is not a monetary exchange.

The necessity of exchange-value or price for the value of a commodity

In *Capital* we find Marx's interesting remarks:

> The objectivity of commodity as values differs from Dame Quickly in the sense that 'a man knows not where to have it'. ------.
>
> We may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value. (Marx 1976 [1873]: 128)

These remarks indicate that he is aware that a single commodity in isolation is unable to have value. Thus he continues as follows.

However, let us remember that commodities possess an objective character as values only in so far as they are all expressions of an identical social substance human labor, that their objective character as values is therefore purely social. From this it follows it can only appear in the social relation between commodity and commodity (Marx 1994 [1867]: 138–139).

Based on my view, commodities have an objective character as value only in so far as their owners form a peculiar social relation; they wish to exchange their own use-values avoiding direct contact. The reason that 'their objective character as value is purely social' is that it is nothing but a hidden social relationship between the two owners. Marx's explanation by reference to the 'social substance human labor' hinders clarification of the specificity of the exchange relation between the two owners. Value is a social property that a use-value has when it is placed by its owner in the exchange relation with other's own use-value without dialect contact. A single commodity possessing value is a contradiction in terms. Thus, 'we may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value'.

Then, how can linen or a coat, each itself a good or material, become a commodity possessing a value? A linen owner desiring a coat comes to the market, and he or she shows a sign to the public that he or she will part with 20 yards of linen in exchange for 1 coat he or she wants: this is the relative value-form. Within this one-sided relation that the linen owner sets up, the coat becomes a use-value for the linen owner and has an immediate exchangeability for 20 yards of linen, thus a coat has a value and, consequently, becomes a commodity: this is the equivalent value-form.

The next question is: how do 20 yards of linen have a value and become a commodity? When the linen owner wants 1 coat on the market, he or she thinks as follows: if he or she can obtain a coat by parting with 19 yards or less of his or her linen, then he or she feels this potential transaction advantageous; however, this exchange will be more difficult; if he offers 21 yards or more the transaction will be easier; however, he feels disadvantageous. After vacillating in his or her mind regarding the exchange rate, he finally decides to offer an exchange at the rate of 20 yards of linen = 1 coat, taking the market situation into account. As long as 20 yards of linen has this implication, 20 yards of linen have a value and become a commodity: the relative value-form.

That a linen owner can unilaterally decide the exchange rate, however, never means that he or she decides it at will as he or she wishes. His or her decision-making is constrained by the market situation where many exchanges between linen and coat are supposed to have occurred. As long as the fluctuating exchange rate in the linen owner's mind converges on a certain rate, we can state that the linen has a value and is a commodity. This is because, when both commodities do not have inherent values, the fluctuating exchange rate can never converge on a certain level, 20 yards of linen = 1 coat. If the linen does not have a converged rate, then it finds out to be valueless, not a commodity. The inherent value cannot exist apart from a relation with another commodity and through the fluctuation of the exchange rate. This is the only way we can recognize the value intrinsic in a commodity. This reasoning explains the necessity of exchange-value, correctly value expression or value-form, for value.

The above-mentioned becomes easier to understand when we look at real value expression in price: commodities on sale with price tags in stores. For example, a normal price for 1 piece of shirt = US$10 is given. At first the owner wishes to sell it for US$11 or more, but soon realizes that the sale will be difficult looking at the market situation, and then he lowers the price at US$9 or less; when his commodity sells too rapidly with the demand strong, he begins to raise the price again; consequently the price fluctuation converges on a stable normal price, at US$10. Value expression occurs in this way by the unilateral initiative of commodity owners without contact or agreement with money holders. However, his subjective decision is forced to follow the market situation where the power balance between demand and supply of a commodity prevails. The stable price, the center of gravity so to speak, is not a value itself, but nothing but the appearance of a value. This price is established as long as the value of the commodity and that of money coincide. If both commodity and money have no value the convergence of price on a center price never arises; the existence of value inherent in the commodity is unable to confirm by other than this procedure: this specific nature of value and value expression originates in the specificity of market economy.

Value is a social property the commodity inherently has, regulating an exchange rate or price, however, it can only appear a posteriori as a consequence of exchange rate or price movement. This by no means implies that price movement determines value, nor that price is value (Bailey 1825). One is unable to grasp value as such apart from value expression, value-form. The reason that classical economists overlooked the value-form lies in their conviction that value defined embodied labor directly regulates exchange rate or price. Later in the production of capital the substance of value of commodity products is clarified as socially necessary labor or abstract labor, however, this by no means implies that the labor directly regulates the price; even then what regulates the price movement is the value of commodity, founded on the socially necessary labor: the law of value. This law is built on the foundation of social allocation of total labor in society, which determines socially necessary labor, and is established through value's regulation of the price movement.[9]

Expression of value and measure of value in the chapters of commodity and money, respectively, is nothing but the value's regulation of price movement, abstracted from the foundation, the production process of capital. What regulates price is value, not directly labor expended. The prevalent views that regulation of exchange value or price is unthinkable without the basis of expended labor stem from the disability to distinguish between value and its substance ('labor value' is a typical one). This is the reason that classical economists fail to recognize the necessity of price-form or price movement for value, or that of money for commodity.

Value-form, use-value form, commodity form

Marx states that the linen's value is expressed relatively in the material body of 1 coat. Thereby the use-value form is reduced simply to the bodily shape of material itself (*Naturalform* in German), and the commodity form simply to a material attached to the value-form. Marx's achievement in value-form theory lies in the discovery of opposing but complementary polarity within the expression of value of a commodity, but that explanation of commodity form does not live up to his achievement.

Just as there are two opposing but complementary value-forms: the relative value-form and the equivalent value-form, so there are the relative use-value form and the equivalent use-value form. 20 yards of linen, being offered on the market, show in practice non-use-value for the linen owner; this is the relative use-value form. One coat, being chosen by the linen owner as of his or her preference, becomes in reality a use-value for the linen owner; this is the equivalent use-value form. Just as the value-form can exist as two poles, so the use-value-form exists as two opposing but complementary forms.

The same holds true of the commodity form; the commodity form too consists of the relative form and the equivalent form. Thus there are two commodity forms: the relative commodity form as a unity of the relative value-form and the relative use-value form, and the equivalent commodity form as a unity of the relative value-form and the equivalent use-value form.

Marx and Marxian economists fail to grasp two opposing use-value forms and commodity forms. Uno and Unoists as well fail to recognize this crucial point. The long-standing one-sided argument on the value-form since Marx, lacking correct recognition of the use-value form and the commodity form, has presumably rendered the theory formalistic and poor in content. Marx frequently uses the term 'equivalent form' in contrast with the relative value-form. However, the equivalent value-form is a precise term. The former is a shorthand for the latter; it should not be used in its definition as *Capital* vol.1, the second edition states.

Asymmetry of the value-form

Exchange value, which was a common notion in the classical political economy and still prevails as a conventional category in economics, is characterized by its symmetry between two commodities exchanged: 20 yards of linen is exchanged for 1 coat means, at the same time, that 1 coat is exchanged for 20 yards of linen; that is, if A = B, then B = A like an equation in mathematics; its relation can be convertible. This conception originates from the assumption that every single commodity itself has value just as every single physical object has weight.[10]

However, what characterizes the value-form is its asymmetry: 20 yards of linen expresses its value in 1 coat but 1 coat does not in 20 yards of linen; the linen owner is present, but the coat owner not yet present there (in the mind of the linen owner); the linen is active but the coat passive; 1 coat has a direct exchangeability with 20 yards of linen but 20 yards of linen lose direct exchangeability with 1 coat. The linen and the coat, from the beginning, do not have value just as a physical object has weight by itself. Only when the one is in the relative form and the other in the equivalent form, is each able to have value and become a commodity; thus the value of a commodity in the relative form can express its value in the use-value of the other in the equivalent form. The quintessence of the value-form lies in this asymmetry.

Marx's recognition of this, however, is insufficient. He explains the simple value-form and the expanded value-form as follows.

Admittedly, this simple form only express the value of a commodity A in one kind of another kind. But what this second commodity is, whether it is a coat, iron, corn, and so on, is a matter of complete indifference (Marx 1976 [1873]: 154).

The value of a commodity, the linen, for example, is now expressed in terms of innumerable other members of the world commodities. Every other physical commodity now becomes a mirror of the linen's value (Marx 1976 [1873]: 155).

These two sentences clearly show his assumption that every single commodity has a value from the outset and is exchangeable with any other commodity: the conventional notion of exchange-value. When 1 coat is not the object of the linen owner's desire, it neither has value, nor is a commodity; the two remain use-values, and there is no value expression. Therefore, Marx's exposition that the value of 20 yards of linen is expressed in the physical body (*Naturalform*) of 1 coat is incorrect. Such value expression is established, for the first time, in the money-form, value expression in price; this is another preemptive error in logic.

Marx's exposition that the expanded value-form is 'total' is wrong. As the commodity in the equivalent form is determined by the linen owner's desire, the kind and amount of other commodities in the equivalent form are limited, and the amount the linen owner offers in exchange for them must vary depending on the other kind of commodities he or she chooses.[11]

Let us consider the direct exchangeability of a commodity in the equivalent value form. This is the key to solving the mystery of money. Regarding the simple equivalent form, Marx states the following.

The coat, therefore, seems to be endowed with its equivalent form, its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm. Hence the mysteriousness of the equivalent form, which only impinges on the crude bourgeois vision of the political economist when it confronts him in its fully developed shape, that of money (Marx 1976 [1873]: 149).

Why does 1 coat have such a peculiar ability? Marx's reasoning, it seems to me, is that a coat in the equivalent form becomes the appearance of the value of 20 yards of linen, that is, the appearance of abstract human social labor. I do not consider it convincing.

Based on my view, the reason why 1 coat gains the direct exchangeability with 20 yards of linen is that the linen owner has beforehand shown his desire for 1 coat in exchange for his own 20 yards of linen. We can explain the reason without reference to social abstract labor.

Marx maintains that 1 coat in the equivalent form has 'its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm'. I think 1 coat has direct exchangeability only when 1 coat becomes the use-value desired by the linen owner. Therefore, a coat as a physical material, is not yet able to have the ability by nature. Thus, it is too early to argue that 1 coat has the ability by nature in the simple equivalent form. It is later in the money-form that a universal equivalent commodity, gold, first gains the property of direct exchangeability by nature. Marx's description in the simple value-form is preemptive, thus incorrect.

We should notice that the linen owner's offer of exchange gives, on one hand, direct exchangeability to 1 coat, and on the other hand, direct non-exchangeability to his or her own 20 yards of linen. Just as the simple equivalent form is a germ for money, so the simple relative form is a germ for the completed commodity form in the money-form.

Uno's Critique of Marx's theory of commodity

Uno's reformulation of the value-form theory without reference to the substance of value led to theories of commodity, money, and capital as circulation forms (the 1st doctrine), and to the theory of the substance of value or the law of value in the production process of capital (the 2nd doctrine), which is introduced by emergence of labor-power as a commodity. This new method was presented in *Principles* (Uno 1950). Categories such as useful labor, abstract labor, socially necessary labor, surplus labor, labor product, social division of labor, and so on, according to Uno, should have been developed, for the first time, in The Labour Process (Chapter 7, Section 1, *Capital* vol.1). The Valorization Process (Section 2) is the place where the law of value and the substance of value should have been proved, whereas Marx's exposition there is mere application and demonstration of the definition of value as objectified labor or the law of value in Chapter 1, The Commodity. I agree to this new method.

However, I think Uno's proof of it in his production process of capital remains incomplete, and Unoists including Sekine and Itoh have tried new solutions following this method. However, so far they have not yet succeeded in its proof and presentation. Some may consider that this shows Uno's method to be wrong, but I don't think so. I consider one reason for their failures originates from their incomplete theories of value-form. Without a correct value-form theory, we cannot expect to succeed in the proof of the substance of value or the law of value, although a correct theory of value-form is only a prerequisite for it. Furthermore, without correct understanding of the theories of the value-form and the law of value the transformation problem is a far cry from solution. In the course of its controversy in the 20th century the law of value has been reduced into a mere assumption of 'labor-values', entirely separated from the value-form and the law of value. I will present my own attempt to solve the law of value in another article mentioned later in Note 7.

Everyone living in the market economy knows, by daily experience, that value expression of a commodity is made by the sellers through fluctuation of prices in their minds, whether advantageous or disadvantageous, before the sale. Only those Marxian economists preoccupied with the naïve labor theory of value are unable to understand this common value expression.

Uno criticized Marx's simple value-form and expanded value-form by explicitly placing the linen owner in the relative form (Uno 1950), and ceased to put the linen in the general equivalent form (Uno 1964, translated in English, 1980). Unoists follow this method. In my view, however, there still remain some defects in these theories.

Uno starts the simple value-form with the assumption, like Marx, that 20 yards of linen and 1 coat as a single commodity have a value from the beginning. Marx's mistake comes from his early postulate of labor substance. Uno, free from this, remains trapped in conventional notion of exchange value. This also applies to all Unoists.

Marx subtitles Section 3 as 'Value-form or Exchange-value'. In my view, the theory of value-form must be a critique of exchange-value. The subtitle shows that he stops short of completely criticizing exchange-value, a favorite term in classical economics.

We can find a fatal flaw in Marx's theory of commodity, to which not a few Marxian economists worldwide still subscribe. Marx's assumption that the most abstract category is a commodity of labor product, induced him to consider commodity owner as commodity producer, commodity exchange as exchange of labor products, and commodity world as social division of labor. He even uses the term 'a society of commodity producers' (Marx 1976 [1873]: 172). From this arose the misleading view originating from Engels that the first chapter, Commodity, is a theory of a simple commodity production,[12] and also the view that a use-value becomes a commodity because it is produced by a private producer or private labor.

Based on my theory of value-form, this assertion turns out to be erroneous. The characteristic of commodity form lies in the fact that for the commodity it does not matter at all whether its use-value is a labor product or not, whether commodity owner is its producer or not, and whether the owner has obtained the commodity by his production or not. This never means that the commodity in the first chapter is not a labor product, but that it is immaterial for the commodity whether it is labor product or not. Value-form theory makes clear that two use-values becomes commodities in the relative form and in the equivalent form when the one commodity owner offers exchange without contact with another commodity owner on the market; the exchangers are in a foreign peculiar relationship. Use-values can turn into commodities having values when they are plunged into this peculiar social relationship between commodity owners, market.

Later, in the production process of capital, all labor products are determined as commodities because they are produced by capital buying and using commodity labor-power. Even in the capitalist commodity production Marx's view that private labor creates a commodity is problematical.

How to solve the mystery of money

Marx is convinced that there is no essential logical difference between the general value-form and the money-form except that the general equivalent commodity linen is replaced with a commodity gold by social custom. I would like to call this conviction into question.

Fundamental changes have taken place in the course of the transition from form A to form B, and from form B to form C. As against this, form D (money-form) differs not at all from form C (general value-form), except that now instead of linen gold has assumed the universal equivalent form. Gold is in form D what linen was in form C: universal equivalent. Advance consists only in that the direct and universal exchangeability, in other words, the universal equivalent form, has now by social custom finally become entwined with the specific form of gold (Marx 1976 [1873]: 162).

There is, however, an important difference between the simple value-form and the money-form, although the two share the same value expression. While in the latter the commodity owner expresses his or her commodity's value by coordinating the amount of money, in the former the linen owner expresses the value of his or her commodity by coordinating the amount of his or her own linen. One of the tasks of value-form theory is why and how this change occurs in the transition from the simplest through the complete, 'dazzling' value expression.

Essential change from the general value-form to the money-form

According to Marx's view, every commodity has a chance to become the general equivalent. In fact, in the first edition of *Capital*, Marx sets up the value-form IV in which every commodity is given the possibility of becoming the general equivalent. In the Appendix and the 2nd edition, this was replaced by IV or D the money-form. A problem with this view is that logical derivation of the money-form from the general value-form has vanished altogether. As cited earlier, Marx pronounces that his task is 'tracing the genesis of this money-form'. I interpret this as a logical genesis of money-form, not a historical one.

Problematics originates in Marx's general value-form; all commodities except linen line up in the relative form with linen as a sole general equivalent commodity. In my view, not one but only a few precious luxury goods, such as silver, gold, and copper, are able to occupy the position of the general equivalent form, because in the value-forms (the simple, the expanded, the general) a commodity can be in the equivalent form insofar as it is chosen by the commodity owner's desire for its use-value. Thus the equivalent commodity cannot yet be unified into only one; we must assume that there stand several general equivalents side by side. They are restricted to rare luxury and privileged goods, and constitute candidates for money. Thus, several general value-forms stand side by side with each having a different general equivalent. In this form the number of commodities in the relative form differs depending on a different general equivalent commodity. Only in the money form where all commodities except gold line up in the relative form, can the general equivalent be unified into one: the universal equivalent commodity, money.

As against Marx's view, 'Fundamental Change' occurs in the transition from the general equivalent value-form to the money-form. For the first time the equivalent commodity gold has become the one and only general equivalent and all commodities except gold line up in the relative form.

Marx's view that in the expanded form a commodity can have any other commodity as the equivalent ('total value-form') is the first mistake. To introduce the general value-form from reversal of the expanded value-form is the second one; this double mistake constitutes Marx's general value-form.[13] Certainly, it is necessary to place in the general equivalent position a commodity other than gold; however, it is inappropriate to place the linen, a common, ordinary item in that position.

In the value expression of commodities in money (pricing), value expression initiated from the simple value-form has been finally completed. From 20 yards of linen = 1 coat does not automatically follow the equation 100 yards of linen = 5 coats or, 10 yards of linen = half a coat, because the linen owner at this moment desires only 1 coat, neither 5 coats nor one-half coat. Therefore, x commodity A = y commodity B, which Marx uses and most Marxist economists follow, is not appropriate to express the simple value-form.

The general equivalent commodity has an exchangeability for many commodities in the relative form, only because the owners of the latter jointly wants the equivalent commodity beforehand. In the money form, all commodity owners want money for the sake of not the use-value of gold but its property of direct exchangeability for all commodities. The restriction of value expression in the simple, expanded, and general value-form has been completely overcome. Every commodity owner wants money in order to exchange (or buy) other commodities. Consequently, the way of expressing the value of a commodity has changed. In the simple, expanded, and general value-form, the value is expressed by the owner's action to adjust the amount of his or her own linen to the equivalent commodity he or she wants, whereas in the money form value is expressed by its owner's action to adjust the amount of money to his own commodity for sale.

Why has this change happened?

Constitution of the theory of commodity

To solve this problem, we should address the logical system of the theory of the commodity. Let us compare Marx' s constitution of the commodity in *Capital* vol. 1, the second edition, with Uno's (1950) in his *Principles*, citing the following in brief:

Marx	Uno
Chapter 1 Commodity	Chapter 1 Commodity
Section 1 two factors of commodity	Section 1 two factors of commodity
Section 2 dual characters of labor	Section 2 value-form
Section 3 value-form	A simple value-form
A simple value-form	B expanded value-form
B expanded value-form	C general value-form
C general value-form	Section 3 money-form
D money-form	
Section 4 fetishism of commodity	
Chapter 2 Process of Exchange	
Chapter 3 Money	Chapter 2 Money
Section 1 measure of value	Section 1 measure of value

Marx's constitution of the theory of commodity appears complex. Uno dropped from Marx's constitution Section 2 dual character of labor. This clearly stems from his view that the substance of value can be enunciated later in the production process of capital. Chapter 2 Process of Exchange was also omitted. Chapter 2 plays in *Capital* a role bridging Chapter 1 and Chapter 3 Money. This chapter seems necessitated by Marx's conception that the value-form is a theory of the relation between commodity and commodity disregarding the two owners; Process of Exchange treats of the relationship between commodity owners, thus supplementing the value-form with historical genesis of money. Based on Uno's new approach, the theory of value-form addresses a relationship between neither commodity and commodity nor owner (producer) and owner (producer), and historical account of the genesis of money in Exchange Process is irrelevant to the value-form theory, which is a logical genesis of money-form, thus should be dropped.[14]

Most Unoists follow this new approach. I also appreciate it. However, Uno and Unoists alike did not explain why this constitution is more appropriate. First, we should notice that in this reformulation the money-form is no longer situated as form D or IV of the value-form, that is, not understood as a mere extension of the simple, the expanded and the general value-form.

I would like to present my own view on this method, because I consider this issue crucial to solving the question of how we can logically derive the money-form, and to solving the mystery of money.

As Marx does it, before addressing the theory of value-form, in the first section we need to explain the two factors of commodity: value and use-value. Here money being abstracted from, all commodities including gold constitute the world of commodities, in which value is identified as homogeneity of all commodities, and use-value as heterogeneity of all commodities; all commodities as values are the same in quality and differ only in quantity. The commodity is a unity of value and use-value. The commodity world without money is composed of commodities having different amounts of value. Neither Marx nor Uno uses the term 'the world of commodities' in the opening of the first section, I consider this term indispensable there. Marx's 'an immense collection of commodities' or Uno's (1950) remark 'every individual commodity shares total values in society as a constituent part' (p. 28, my translation) may be viewed as the equivalent to the term. We should take notice that Marx begins to use the term frequently in the value-form in *Capital* vol. 1, in contrast with few mentions in his *Critique* (Marx 1970 [1859]). The notion of 'the world of commodities' seems to get more strengthened as his inquiry into the value-form advanced.

However, the world of commodities is an abstract notion without real entity, because use-value as such, material body, never has such a social property as value in isolation; this makes a fundamental contradiction between value and use-value, and the world of commodities without money is therefore unable to realize itself in theory.

In Section 2, the value-form, the abstract commodity world hides out for the present, and two commodities emerge as a pair seeking real entity; this is the value-form theory. In the simple value-form, 1 coat, by being desired by the linen owner, has a direct exchangeability with 20 yards of linen, thus has a value and becomes a commodity in the equivalent form; by the linen owner's coordinating 20 yards in exchange for 1 coat, the 20 yards of linen have a value and become a commodity in the relative form. In contrast to the commodity in the first section, the commodity in the second section has a real entity, though in the mind of the owner in the relative form.

In the third section, the money-form is established, when the world of commodities is restored by the emergence of the universal equivalent, money. The commodity world can be established in reality, only when all commodities in the relative form have a universal equivalent gold, money, in other words, only when all commodities express their value in price. Marx (1976 [1873]) describes this as the 'finished form of world of commodities—the money form' (p. 168).

In the simple value-form the fundamental contradiction between value and use-value is resolved realistically, for 1 coat now has value and becomes a commodity in the equivalent form; 20 yards of linen has value and becomes a commodity in the relative form. Neither linen nor coat has value as a natural material in isolation. However, if they are placed in a peculiar relationship between the two owners, the use-values have values either in the relative or in the equivalent form, thus they become commodities in the two asymmetrical forms: the relative commodity form and the equivalent commodity form.

However, this simple value expression has a defect. From 20 yards of linen = 1 coat do not follow automatically 40 yards of linen = 2 coats, or 200 yards of linen = 10 coats, as explained earlier. There is another defect. The amount of linen whose value its owner wishes to express is restricted by his or her desire for the use-value of the equivalent commodity; it is difficult for the owner to freely express the value of all commodities of his or her own.

In the money form, pricing, the owner is for the first time able to freely express the value of all of his or her commodities with any amount of money. Why does this essential change occur? Uno's new arrangement of the money-form in the third section is able to offer a solution to the puzzle of the logical genesis of money, although Uno and Unoists have not yet sufficiently addressed the issue.

Independence of the general relative form and the general equivalent form

In the general value-form, a few privileged luxury commodities in the equivalent form have acquired direct exchangeability with many commodities in the relative form. It is clear, however, that silver, for example, has such a special ability because many commodity owners in the relative form desire the silver jointly. Therefore, against Marx's argument, the silver as a natural material (*Naturalform*) cannot as yet have the exchangeability. By contrast, the characteristic of value expression in gold, money, is that it is made by all commodity (except gold) owners' separate, private actions without any joint desire for the use-value of gold. All commodity owners find, on the market, money as an accomplished fact, that is, money gold has direct exchangeability as a natural property just as gold has weight.[15] Thus arises the mystery of gold money.

Marx explains in the discussion of the money-form that money's direct exchangeability stems from joint actions on the part of all commodity owners to express their values in gold. This idea fails to enunciate the special character of money-form and value expression in price. Marx's great achievement lies in the fact that he has succeeded in deciphering the mystery of money by reducing the money-form into the general value-form; however, he and Marxian economists thereafter have not yet succeeded in explaining: why and how the general value-form is transformed into the money-form. This implies that the humankind has not yet completely succeeded in solving the mystery of money.

It is certain that historically the money-form was produced as a consequence of competition among candidates of general equivalent commodities in quest for the crown, money. However, this is not satisfactory as a logical derivation of the money-form. I consider that the money-form is established with simultaneous independence of the general relative form and the general equivalent form. Why does this occur? It occurs because the world of commodities, which is an abstract notion without real entity in the first section and invisible in the second section, now in the third section, reappears as a real entity with all commodities except gold in the relative form and with gold as a universal equivalent commodity, money; this arises from the simultaneous independence of the general relative form and the general equivalent form.

When all commodity owners express the values of their own commodities with money, the price-form, the world of commodities exists in reality in the minds of all commodity owners. In value expression in price, the joint actions desiring the equivalent on the part of all commodity owners have disappeared. Gold has now won the immediate exchangeability by nature, without their joint actions; Marx calls this change that gold money has won a new 'formal use-value' of immediate exchangeability.[16] We can explain why and how the universal exchangeability has 'finally become entwined with' gold by the logic of the independence of the general equivalent value-form, not by 'social custom', and finally solve the mystery of money in logic.

For instance, one man is king only because other men stand in the relation of subjects to him. They, on the other hand, imagine that they are subjects because he is king (Marx 1976 [1873]: 149).

This insightful metaphor by Marx, 'one man is king because other man stand in the relation of subjects to him' applies to the general value-form, and 'they, on the other hand, imagine that they are subjects because he is king' applies to the money-form. Marx uses this metaphor for the simple equivalent form; however, it is more fitting for the money-form. This is a preemptive metaphor.

In the money-form, therefore, commodity owners can express the value of their own commodities freely from their desires for use-value of gold, and the equivalent commodity can for the first time become the material (*Naturalform*) for value expression.

The independence of the general relative form means that in this money-form, a commodity has direct non-exchangeability by nature; only money can exchange commodity, the commodity owner cannot exchange it for money on his or her initiative: distinction between purchase and sale. On the other hand, the independence of the relative value-form means the completion of the commodity form, which was yet abstract, premature in the three value-forms.

In the money form, just as both commodities and money gold appear, from the outset, to have values in the relative form and in the equivalent form, respectively, so value expression starts from commodity side and the quantitative determination of value is made by the commodity owner through his or her coordination of the quantity of gold, that is, the fluctuation of price in his or her mind, considering whether the potential price is advantageous or disadvantageous taking into account the market situation. Once value expression in price is established, value expression without money appears unthinkable; the value expressions between two commodities appear to be barter. When they happen to be exchanged, this occurs through mediation of their prices. Value expression between two commodities looks impossible; however, this fact by no means denies the existence of value expression between two commodities in theory.

Once this simultaneous independence of two poles has been established, commodity means articles not money, and money an article not commodity. This independence is consistent with the following remark by Marx.

The movement through which this process has been mediated vanishes in its result, leaving no trace behind (Marx 1976 [1873]: 187).

The money-form is the result of the development of the three value-forms; however, in this form the mediation of the three value-forms vanishes leaving no trace behind. Once value expression in price has been established, the commodity world appears as one except money. However, it is in this money-form itself that the abstract world of commodities in the first section is realized. When gold is demanded as a use-value, such as material of an electric appliance, a replacement tooth, or an art object, it is a commodity belonging to the original commodity world abstracted from the money-form, where its value is determined alongside of values of other commodities. The value of money gold is given in this original commodity world. In the value expression of commodities in price and the measure of value in the next chapter, money is demonstrated as gold having this value.

Later in the production process of capital, all products including gold become commodities, whose values are determined by socially necessary labor or abstract labor, which constitutes the substance of value, and here the law of value is for the first time established. However, this is different from the definition of value as objectified abstract labor. The expression of value and the measure of value, on this level, are made only in terms of money, namely, in price based on this substance. Theories of value-form and the measure of value without reference to the substance of value are nothing but abstraction from the law of value in the production process of capital.

Conclusion

The money-form is not just an extension of the three value-forms but rather a new concept, based on the development of the three value-forms, a unity of Sections 1 and 2. Although I have no intention of applying Hegel's dialectic to the theory of capitalism as Uno did not, his constitution of commodity theory appears similar to Hegel's method of triad: A thesis (value, use-value, commodity), B anti-thesis (simple, expanded, general value-form), and C synthesis (money-form). In A the world of commodity is an abstract notion without a real entity, in B it hides in the background, and in C the world of commodities is restored as a real entity with the universal equivalent gold, money. Without reconstitution of the theory of commodity, the aim of finding a final complete solution to the mystery of money is not to be expected.

Marx is convinced that he has finally solved the mystery of money by reducing the money-form to the general value-form, and by pronouncing the money-form as the 'direct incarnation of all human labor' (Marx 1976 [1873]: 187). However, the question of how and why the general value-form is transformed into the money-form remains unexplored; this means that the mystery of money has not yet completely solved. I have presented a new approach by rehabilitating value-form theory without reference to the substance of value, abstract human labor, and by reconstituting the theory of commodity based on the concept of the world of commodities. At the same time, I have shown how Marx's reference to labor substance disrupts the theory of value-form. Based on my view, the independence of universal equivalent form in the money-form implies direct incarnation of value in gold money. His explanation 'direct incarnation of all human labor' hinders the recognition of the independence of the universal equivalent form with the commodity world restored in reality.

Notes

1. Since the end of World War Ⅱ, the study and debate on the value-form in Japan have been long performed independently in a paradigm quite different from the West. This article introduces new research originated from accumulated works on the value-form in Japan. The two different paradigms stem from a common source, Marx's *Capital* vol. 1, so in this article I develop my view concentrating on it. I expect responses particularly from the Western economists.
2. Watching the controversy over the value-form in the West (*Critique of Political Economy*, vol. 1, Kliman, 2011), the focal point is the abstract labor in the theory of value-form. By contrast, in Japan the controversy since the end of World War Ⅱ has been over the value-form abstracted from the labor substance. In the West, Rubin's value theory appears still influential. The characteristic of his value theory is the one based on Marx's theory of fetishism of the commodity, devoid of the value-form theory, although he is unaware of it. This interpretation was caused by his misunderstanding that the value-form is the material expression of abstract labor as value (Rubin, 1973 [1928]: 113). So-called Rubin's Dilemma stems from his treatment of abstract labor within commodity exchange.
3. This method of developing commodity, money, and capital as circulation forms prior to the substance of value is in more detail explained in Sekine (1984, 1997), Itoh (1988) and Albritton (1986). However, I consider this method to be clarified further. For instance, I cannot agree with Sekine's exposition of the value-form using such terms as seller, purchasing-power, moneyness, merchant because the theory is one from which money and capital are abstracted. Itoh's terms 'money form of value' and 'capital form of value', I think, are inappropriate because the form of value means the form of a commodity value; they are abuses of the term.
4. Although Marx uses this phrase to appreciate classical economists' discovery of the substance of value, I would like to apply the same phrase to his discovery of value-form.
5. Itoh (1980) points out Marx's inconsistency between Section 1 and Section 3, the value form of the first chapter; in the former two commodities are supposed to be exchanged, in the latter the two yet to be exchanged (p. 50). I agree with this view. However, why did not Marx notice this inconsistency? This is, I think, because Marx had not yet clarified sufficiently the value-form as commodity exchange relation before realization of exchange; we can find many references to exchanged commodity relation in the value-form.
6. Marx takes the value expression of a commodity with money for the measure of value. This is why he explains the value expression with money in the section, Measure of Value. It is Uno (1950) who first distinguished between the expression of value and the measure of value, and criticized Marx's measure of value.

7. In Japan, a debate concerning this issue arose between Uno and Kuruma (1957) in 1946, and still continues.
8. Chris Arthur (2006) accepts Marx's method to draw a distinction between the value-form and the exchange process, but still defends Marx's exchange process (p. 33).
9. Marx attributes classical economists' oversight of the value-form to their belief in bourgeois production as a natural one (ibid, p. 174); this criticism is correct but not sufficient. The substance of value and the law of value are explored in more depth in another article 'The reality of the law of value' (yet to be published).
10. Exchange-value in the modern version is *numeraire* in neoclassical economics. The excellence of Sekine's (1984, 1997) works lies in his sharp critique of basic categories in the neoclassical economics.
11. Following Marx, in the expanded form Itoh (1988) states, 'Linen stands in a social relation more or less with the world of commodities and wishes to be a citizen of that world' (p. 84). I think his reference here to the world of commodities is inappropriate.
12. For example, Hilferding, Rubin, Sweezy, Mandel, and Meek take this position. Arthur (1998) correctly criticizes Engels' theory of the simple commodity production and his logical = historical method. However, Marx's exposition referring to labor in the first chapter of the commodity is partly responsible for Engels' misunderstanding.
13. Itoh (1988) correctly points out, 'This logic (the reversal of the expanded value-form) contradicts the essence of Marx's own theory of forms of value' (p. 84).
14. The question of why the fetishism of commodity should be dropped from the theory of commodity, which Uno left unexplained, is treated in another paper; Value-form and the Fetishism of Commodity (yet to be published).
15. Marx describes this as: gold has a 'formal use-value'; however, he presents no explanation for why gold obtains such a use-value. Itoh (1988) uses this formal use-value in the general equivalent form (p. 86). However, I think the term can be used only in the money-form.
16. Lapavitsas' (2005) assertion that money is a monopolist of the ability to buy is nothing but a definition of money. It does not explain why gold has become the monopolist, that is, the necessity of money for commodity exchange.

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