Labor, Money, and "Labour-Money": A Review of Marx's Critique of John Gray's Monetary Analysis

Alfredo Saad-Filho

History of Political Economy 25:1 (1993)

> A hundred guinea premium is offered to the man who may be able most effectually to refute my arguments—John Gray *Lectures on the Nature and Use of Money*

> All the illusions of the monetary system arise from the failure to perceive that money, though a physical object with distinct properties, represents a social relation of production—Marx *A Contribution to the Critique of Political Economy*

Throughout his mature work Marx often criticizes the "Ricardian socialist" economists whom he regarded as utopians. This text concentrates on Marx's attack against one of their main proposals: a monetary reform aiming at the institution of a "labour-money." Although several authors advanced some version of this idea, I will focus on John Gray's formulation, as his is probably the best-argued case for such a reform.[1]

1. The English economist John Gray (1799–1883) is not widely known. He was influenced by Smith, Mill, Malthus, and McCulloch, and his ideas were close to Robert Owen's. Deeply impressed by the distress he witnessed in London during economic crises, he joined the ranks of the social reformers of his time. Gray wrote his first book in 1825, *Lecture on*

Correspondence may be addressed to the author, Mr. Alfredo Saad-Filho, Department of Economics, School of Oriental and African Studies, University of London, Thornhaugh Street, Russell Square, London WC1H 0XG, England. I am deeply grateful to Ben Fine for his help at every stage of this work, and I would also like to thank Richard Ketley, Rita Bertholdi, and two anonymous referees of this journal; the responsibility for all remaining errors and omissions is, of course, entirely my own.
History of Political Economy 25:1 © 1993 by Duke University Press. CCC 0018-2702/93/$1.50

Despite this, neither the review of Gray's plans nor the cogent presentation of Marx's critiques are the main objectives of this article. Marx's polemic against the "labour-money" scheme is used here as a means of scrutinizing his own theory of money and of shedding light on its remarkably rich perspectives. In particular, I concentrate on the analysis of the relations between labor and value and on the study of the functions of money.

Limited to these aims, I do not attempt to give a comprehensive account of the various formulations that the "labour-money" idea received, nor do I evaluate Gray's influence on the evolution of Marx's own thought.[2] In the first section, I present a summary of Gray's proposals and occasionally complement it by invoking the works of John Bray, Pierre-Joseph Proudhon, and A. Darimon. In the second section, I discuss the relation between labor and value in Marx, using the concepts of normalization, synchronization, and homogenization of labor, and I apply them to his critiques of the "labour-money" scheme.

In the third section, I concentrate on the relations between value, money, and prices in both Marx and Gray and discuss how value is measured and how prices are set in each. Then I proceed to the analysis of other functions of money, verifying how Marx sees them and contrasting his analysis with Gray's. I conclude by showing why for Marx "labour-money" could not be money.

I

In the early and mid-nineteenth century, capitalist development was seen by many as generating widespread misery among the working class, manifest disproportionalities in production and frequent economic crises. Besides that, unequal exchanges apparently took place between capital and labor (the workers not receiving back the "full fruit of their labour") and between capitalists themselves (some of whom did not command a "just price" for their commodities or were exploited when accepting credit). Based on this framework, authors

Human Happiness, which was soon followed by others. In 1826 he founded in Edinburgh, with his brother James, the firm of J. and J. Gray and started publishing the *North British Advertiser.* Gray's business success may have been influential in his increasing political moderation, which ultimately lead him to retire from the public scene after publishing *Lectures on the Nature and the Use of Money,* in 1848 (see also Beer 1953, A. Gray 1947, Foxwell's introduction to Menger 1899, and especially Kimball 1948).

2. The reader interested in this subject should refer to King 1983.

such as Gray, Bray, Proudhon, and Darimon elaborated plans to change the economic system.

They saw the monetary sphere as the main root of economic troubles, since it was "wrongly" organized around the "privilege" of precious metals such as gold and silver that, because of their monopoly of exchange equivalencies, were the sole form of money: "A defective system of exchange is not one amongst many other evils of nearly equal importance: it is *the* evil—*the* disease—*the* stumbling block of the whole society" (J. Gray 1831, 90).[3] According to Gray, society creates money as a *scale* to measure the relative values of commodities and to enable them to be exchanged in correct proportions; as such, the quantity of money in circulation should equal the sum of all prices, and money should be promptly available wherever its services are needed (see J. Gray 1831, 58–59). However, since for Gray it was easier to increase the production of commodities as a whole than to increase the production of gold, the requirement that the aggregate value of gold in circulation should equal the value of commodities for sale implied that commodities' prices would tend to *fall* as their quantity increased faster than the quantity of gold, bringing distress instead of rewards for the producers:

> money . . . must increase *just exactly and precisely* as fast as all other marketable commodities put together; for if it [does] *not* do this, every commodity multipliable by the exercise of human industry *faster than money itself...will fall in money-price;* and from that instant, the greatest and most important principle in Political Economy . . . —*Production the cause of Demand*—is expelled from our commercial system. (J. Gray 1848, 69)

As such, Gray considered the underproduction of money as the main evil of capitalism, while the overproduction of commodities was seen as impossible.[4] However, he believed that all difficulties could be overcome:

3. Darimon, an author with similar views, would add that "The root of the evil is the predominance which opinion obstinately assigns to the role of the precious metals in circulation and exchange. . . . Thus the privilege held by gold and silver, that of being the only authentic instrument of circulation and exchange, is responsible not only for the present crisis, but for the periodic commercial crises as well" (quoted in Marx 1981, 115, 125).

4. For Proudhon, on the other hand, the main evil was the unjust exchanges between capital and labor, which prevented the workers from buying back the produce of their labor and thus generated overproduction (see Allio 1978, 124–25).

> *It would be by no means difficult to place the commercial affairs of society upon such a footing, that production would become the uniform and never failing cause of demand; or, in other words, that to sell for money may be rendered, at all times, precisely as easy as it now is to buy with money.* (J. Gray 1831, 16)

Gray assumed that labor alone bestows value and that labor itself should be the measure of values. The problems caused by the use of gold (a valuable commodity) as a measure of values and by unequal exchanges could be solved through the creation of a valueless (paper) money, with average labor time as its unit. The privileges enjoyed by gold would be abolished; all commodities would be directly exchangeable for money and thus also for one another. As a result, society would no longer have its progress hampered by a defective monetary system, justice would prevail, and no exploitation would take place.[5]

The possession of a given amount of "labour-money" would certify a laborer's true participation in social production and would enable him or her to draw commodities of an equivalent value from the whole of that produce. At the same time prices, determined by the costs of material inputs, wages and profits,[6] would at last find stability (of course, if the conditions of production changed, they would be modified accordingly).

At the center of Gray's system was the national or standard bank that would print the "labour-money." The producers would first sell all their capital stock and properties to that bank, receiving for them a just

5. John Bray would not agree. For him, "An exchange implies the giving of one thing for another. But what is it that the capitalist . . . gives in exchange for the labour of the working man? The capitalist gives no labour, for he does not work—he gives no capital, for his store of wealth is being perpetually augmented. . . . The whole transaction, therefore, plainly shews that the capitalists . . . do no more than give the working man, for his labour of one week, a part of the wealth which they obtained from him the week before!—which just amounts to giving him *nothing* for *something*—and is a method of doing business which . . . is by no means compatible with a working man's ideas of justice" (1931, 49). For a discussion of Bray's ideas, see Henderson 1985.

6. The belief that value is created by labor and that prices are composed of wages, profits, and rent makes Gray fall into a contradiction common to several Classical economists. Marx says that this conception loses touch with the notion of value, and the only meaningful concept here is price. But the notion of money-price is also blurred: as money is also a commodity, its "price" is also composed of those three factors; thus, in a sale, wages and profit and rent (in the commodity) are equalized with wages and profit and rent (in money). There is no way of determining, for example, the wage level, while profit and rent end up being an extra charge added to prices, contradicting the premise that these are the remunerations paid for the services of labor, capital, and land (see Marx 1984, 862–67).

amount of "labour-money"; they would then be paid the usual rate of profit to manage their old businesses. When they had produced commodities they would sell them to a network of national warehouses, again receiving "labour-money" in return. As the value of all commodities for sale plus the value of the social stock of wealth would be exactly matched by the amount of money in circulation, money could always buy all goods at once: "Under the Social System, the money in circulation and the goods in the national stores would always be exactly equivalent, increasing and decreasing together. The money would be the demand, the property would be the supply, and the one would ever be equal to the other" (J. Gray 1831, 251–52). As demand would never fail, crises would be abolished forever:

> by the adoption of the plan of exchange that is here described, goods of every kind would be made to pay for each other. Selling would be merely the act of lodging property in a particular place; buying would be merely the act of taking of it back again; and money would be merely the receipt which every man would require to keep in the interim between the period of selling and that of buying. (86)

If the warehouses could not, for whatever reason, sell a commodity, its producer would have to return the money previously received; if it could only be sold at a reduced price, he or she would have to return the difference and, if sold at a higher price, the producer would get the extra profit (see J. Gray 1848, 117). Thus, in the end, producers would receive the sale price of commodities, and the role of the warehouse would be that of a neutral intermediary.

The same group of authors also criticized credit and interest, although once again there is no uniformity in their opinions. Gray himself did not have a firm point of view on these matters and changes his (superficial) judgement between 1831 and 1848. At first he considered interest as a source of injustice, since its addition to commodities' values would both prevent workers from buying back the product of their labor and prevent borrowers from having a fair reward for their efforts. Later on, however, he saw it as a fair "remuneration for capital," to be preserved at least while his ideas were not fully implemented (see Kimball 1948, 33).[7]

7. Proudhon (1923, 2:129, 134, 139–40; see also Allio 1978) wanted credit to be "free," because for him capital was unproductive and could not generate income. The elimination of

The discussion above could be summarized by saying that to establish "equivalent exchanges" we should, for Gray, Proudhon and others, have *both* a form of money that allowed for a full reward of the labor performed, *and* the absence of interest in the economy; this would render harmonious and fair an otherwise anarchic and injust economic system.

II

A discussion of Marx's critique of the "labour-money" scheme requires a brief exposition of his theory of money; thus, the analysis of commodities must be my starting point. For Marx, a commodity has to be first of all a use-value, thus requiring the application of concrete and useful labor for its production. But commodities are not only that: the abstraction of their use-value shows us that they share a common essence amidst their apparent diversity—abstract human labor (see Marx 1983, 45–46).

Every commodity-producing labor process is therefore an expenditure of human labor-power with a double character: as concrete labor it creates the useful properties of commodities, or their use-value; as abstract labor it creates their value. Although producers are formally independent from each other, their underlying articulation prevails as they are compelled to sell their commodities in order to buy. Private activities are thus subordinated to the social division of labor and to social needs.

The character of social utility that commodities must possess in order to be sold implies a double condition: they must have use-value for other producers, and the labor that has produced them must be equalized with other kinds of labor, making the product of one's labor exchangeable for the products of others' labor:

> the labour of the individual producer acquires socially a two-fold character. On the one hand, it must, as a definite useful kind of labour, satisfy a definite social want, and thus hold its place as part and parcel of the collective labour of all, as a branch of a social division of labour. . . . On the other hand, it can satisfy the manifold

interest would also help realize one of his dreams, that of enabling everyone to be a capitalist. Bray, on the other hand, deplores the injustices of the credit system but does not specify how they should be dealt with.

> wants of the individual producer himself, only in so far as . . . [it] ranks on an equality with that of all others. The equalization of the most different kinds of labour can be the result only of an abstraction from their inequalities, or of reducing them to their common denominator, viz., expenditure of human labour-power or human labour in the abstract. (Marx 1983, 78)

When a commodity reaches the market, the private labor that produced it loses its individuality in a real process composed of three distinct logical stages: (a) it is normalized with all individual labors producing the same kind of commodity, converting each good into a mere sample of its kind; (b) it is synchronized with other labors that have produced the same kind of commodity in the past but which are concurrently for sale; and (c) it is homogenized with all other kinds of labor as the commodity is equalized with ideal money. Let us investigate these processes more closely:

(a) The labors of the distinct individuals producing the same kind of commodity, say silk, are normalized as every individual piece of silk reaches the market, where they are identified as samples of a single general piece of silk put up for sale. As such, all these labors become links in a unique silk-producing process carried out throughout society.

Although all the silk will come from different labor processes, it will all have the same value. The value of a specific piece of silk will thus not be given by its individual production time; instead, its value will be determined by the average or normal time it takes society as a whole to produce it, or by its socially necessary labor time. The two hours it takes society to produce each yard of silk are, then, a composition of the one hour it takes A to produce one yard with the three hours it takes B, and so on. Hence, when silk-producing labors are normalized, their diverse individual efficiencies are averaged out and all individual labor times are put into correspondence with a socially determined one (which is only taken here to be the numerical average by way of illustration; see Marx 1983, 46–47).

(b) In the market, commodities produced in diverse moments of time are also assimilated, and silk produced in the past will equal silk produced now as they are parts of the same silk for sale. Without this synchronization of inherently diachronous concrete labor processes, production and exchanges could not be continuous in time, and the necessary and inevitable non-simultaneity of human actions would bring about a paralysis of the economy.

We can conclude that, for Marx, the value of a commodity depends not on the particular labor time necessary to produce it, nor on the labor time socially necessary when it was made. Instead, the value of a commodity depends on the social labor time presently necessary for its production, or on the labor time socially necessary for its reproduction. Values in Marxist analysis are therefore not given to commodities once and for all when they are produced, but are socially attributed to them at every moment.

This does not contradict the fact that commodities themselves have value, but only reveals the *social* nature of this concept: as commodity production is a social division of labor, individual commodities only exist as samples of their kind, and each kind of commodity only exists as one among several others. It is the general, historical process of the production of each commodity, alongside all other production processes, that determines the values they have—and not the amount of physical labor one applies to produce a given good.

(c) When different kinds of commodities are related to money, the heterogeneous qualities of the concrete labors applied in their production are abstracted, and they are treated as materializations of equal human labor. Those labors are then homogenized; only their essence of abstract labor becomes relevant and only their quantitative relations matter. The value that commodities have may now be observed, through their prices (see part III).[8]

The processes of normalization, synchronization, and homogenization are carried out simultaneously, and each of them depends on the others for its fulfillment: the normalization of labors requires their synchronization; the latter occurs among normalized labors; and only normalized and synchronized labors can be homogenized. These demands are not contradictory, since all these processes are unceasingly performed in a continuous flow of production that culminates in individual exchanges for money. As all private labors have this common need, they are normalized, synchronized, and homogenized as they are performed and even as they are conceived.

Let us now see how Marx criticizes Gray's value analysis, starting with the "sale" of commodities to his warehouses. A preliminary point is that if a warehouse would buy commodities and later on return to the

8. See Lee 1990. The determination of prices of production and market prices and the 'transformation problem' are irrelevant here, and will be ignored.

same producer to give him or her the "true" price paid by the final consumers, then the bank, the warehouses, and the "labour-money" are all unnecessary—they change nothing in the capitalist reality of uncertain sales, floating prices, and possible bankruptcies. Ignoring the clumsy scheme above, three cases are worth discussing:

(a) If the just price that the warehouses would pay for a commodity was solely determined by the time its producer had worked, the economy would be set into disarray: a chair produced in six hours would "value" twice as much as a similar one that took a more efficient producer only three hours to make. The first one could be exchanged for ten pounds of potatoes, say, while the second one would only equal five pounds. Total productivity would then quickly *fall*, because everyone would try to make his or her commodities more valuable by *not* working intensively. This absurdity stems from the inconsistent assumptions that commodity-producing labors do not need to be normalized, and that their homogenization could be reduced to a direct identity between individual labor time and money.

(b) Although metals would be, in Gray's scheme, commodities unfit to act as a measure of value, coins could be used as "auxiliary instruments of exchange" (1831, 75–76) bought and sold for money. In the case of copper and silver, if their production times varied, their weights would change to preserve their money prices, while gold coins, given their importance and traditional use, would vary not in weight but in value (see J. Gray 1848, 180–84).

Let us analyze the second case, supposing that the bank charged for gold coins the social labor time required for their reproduction and that all labor productivities were kept constant, except in gold-mining. If the latter constantly increased, the synchronization of gold-producing processes would subject all coins to a constant *depreciation* and to the idealization of their name, or to a specific form of inconvertibility—between an old "six-hour" coin and a new six-hour "worth" commodity.

This would happen because, as gold productivity rose, the labor time necessary to produce a given coin would decrease, and so would its value. Had labor productivity in gold-mining doubled, a coin of a given size would be devalued, exchanging for only half as many commodities as it once did, and an old six-hour coin, say, would now equal commodities that took only three hours to make:

> Gold money with the plebeian title *x hours of labour* would be exposed to greater fluctuations than any other sort of money and

> particularly more than the present gold money, because gold cannot rise or fall in relation to gold (it is equal to itself), while the labour time accumulated in a given quantity of gold, in contrast, must constantly rise or fall in relation to present, living labour time. In order to maintain its convertibility, the productivity of labour time would have to be kept stationary. (Marx 1981, 135)

(c) Let us now consider paper "labour-money," what Marx called "labour-chits," as proposed by "Weitling . . . with Englishmen ahead of him and French after, Proudhon & Co. among them" (1981, 135). In this case, other difficulties would arise. As labor productivity increased generally, a chair that yesterday could be exchanged for a six-hour chit, say, would today command only a three-hour one, money being constantly appreciated in relation to commodities—to the benefit of the cursed creditors. Moreover,

> The time-chit, representing *average labour time,* would never correspond to or be convertible into *actual labour time;* i.e. the amount of labour time objectified in a commodity would never command a quantity of labour time equal to itself, and vice versa, but would command, rather, either more or less, just as at present every oscillation of market values expresses itself in a rise or fall of the gold or silver prices of commodities. (Marx 1981, 139)

III

For Marx, money is a special commodity, equivalent to all the others and with the formal use value of representing values. Money is, therefore, a social relation that derives from the form of social articulation and reflects the reciprocal dependence of commodity-producers. As the money-commodity is for Marx a social value a priori, the concrete labor of the individuals producing it (say, gold miners) is directly social labor, or the medium for the material expression of abstract labor (see Marx 1983, 64).

Commodities' values are disclosed in a relation between each of them and money; as such, money is their measure of value:

> The first chief function of money is to supply commodities with the material for the expression of their values, or to represent their values as magnitudes of the same denomination, qualitatively equal, and quantitatively comparable. It thus serves as a *universal measure of value*. . . . It is not money that renders commodities commensu-

> rable. Just the contrary. It is because all commodities, as values, are realized human labour, and therefore commensurable, that their values can be measured by one and the same special commodity, and the latter be converted into the common measure of their values *i.e.*, into money. Money as a measure of value, is the phenomenal form that must of necessity be assumed by that measure of value which is immanent in commodities, labour-time. (Marx 1983, 97)

Marx stresses that, as a measure of value, money is merely ideal money:

> Every trader knows, that he is far from having turned his goods into money, when he has expressed their value in a price or in imaginary money, and that it does not require the least bit of real gold, to estimate in that metal millions of pounds' worth of goods. When, therefore, money serves as a measure of value, it is employed only as imaginary or ideal money. (Marx 1983, 98–99)

The comparison of a commodity with money relates the values of them both. As the value of money is already social, the value of the commodity is then expressed in a price, as soon as the measure of value is divided into the conventional units of a standard of prices. Thus, as de Brunhoff and Ewenczyk rightly put it,

> As measure of value and standard of prices, money gives a price form to commodities; it expresses the value of commodities in quantities of the money commodity (gold), and relates at the same time these magnitudes to a fixed unitary quantity of weight of gold, that functions as the standard of prices. The monetary name—the price form—expresses at the same time these two functions. (De Brunhoff and Ewenczyk 1979, 49–50)

It is this step that allows the heterogeneous labors that create each commodity to be reduced to homogeneous labor: "the price relations between commodities is the form in which an equivalence is established between different concrete labours, the means by which these are reduced to homogeneous labour that counts as value, what Marx called abstract labour" (Fine 1980, 124).

For Gray, on the other hand, no commodity could be a good measure of value, since it would itself have a value; as such, changes in the value of the money-commodity would modify the prices of all commodities irrespective of the stability of their own production times, thus disturbing the exchange process. Moreover, he believed that

increasing the production of metals was more difficult than increasing the production of other commodities, prices would tend to *fall,* thus reducing profits and ultimately generating a deflationary crisis.

However, this is neither a reasonable theory of value nor a good theory of crisis. Gray's valueless measure of value is simply not a measure since, as we have seen, the bank-warehouses complex would be the true measurers of value in his scheme. Furthermore, even if prices tended to fall over time this would not by itself lead to the interruption of sales. Gray's conceptions show a defective understanding of the synchronization and normalization of labors that are inherent in commodity production, which imply that increases in the value of money reduce the price of the outputs at the same time that they reduce the price of the inputs.

Another side of Marx's critique of the "labour-money" scheme regards its identification of prices with values. For Marx, at the same time that prices express commodities' values, they allow for the possibility of differences between values and prices, for him an intrinsic characteristic of the price form (see Marx 1983, 104). The distinction between prices and values for him is a consequence of the private nature of commodity-producing labors, and it has a role in the social regulation of the amounts of concrete labor applied in the production of each use-value. For example, the relations between supply and demand, although they do not affect the values of commodities, may cause changes in their prices, which signal to all producers the wants of society and thus guide their expenditures of labor.

According to Marx, the identification of prices with values reveals the unfamiliarity of Gray and others with the nature of commodity production. As Gray considered labor time to be the measure of values and proposed a "labour-money," time would become the unit of both values and prices. On the other hand, the warehouses' automatic purchases of any commodity would make private labor immediately social, rendering prices equal to values. Values would then either directly express commodities' individual labor times (depriving society of the relations between supply and demand as a signalling mechanism and leading to the collapse of production that was noted in section II), or they would result from determinations made by the bank and the warehouses (which would make *them* the signalers, instead of the market).

These ideas would, for Marx, imply the end of commodity production and thus of capitalism itself. Commodities are products of private

labor, and money is an immediately social value. The identity between commodities and money—to which Gray aspires—makes private labor social from the outset, or makes it produce money, and no longer commodities. As such, the discussion of the conditions for the conversion of commodities into money becomes meaningless:

> The first basic illusion of the time-chitters consists in this, that by annulling the *nominal difference* between real value and market value, between exchange value and price—that is, by expressing value in units of labour time itself instead of in a given objectification of labour time, say gold and silver— . . . they also remove the real difference and contradiction between price and value. Given this illusory assumption it is self-evident that the mere introduction of the time-chit does away with all crises, all faults of bourgeois production. The money price of commodities = their real value; demand = supply; production = consumption; money is simultaneously abolished and preserved; the labour time of which the commodity is the product, which is materialized in the commodity, would need only to be measured in order to create a corresponding mirror-image in the form of a value-symbol, money, time-chits. In this way every commodity would be directly transformed into money; and gold and silver, for their part, would be demoted to the rank of all other commodities. (Marx 1981, 138; see also 1987, 321–22).

In Gray's economy, the bank would necessarily control every aspect of production and enjoy absolute power. As the general buyer and seller of commodities, we have seen that it would have to evaluate the social labor time necessary to produce each commodity and thus to oversee all production processes. It would also have to become the general planner—both because the average productivity in all sectors of the economy would have to be kept constant (or to grow at identical rates) to avoid the development of disproportions and because supply would have to balance demand, both in the aggregate and in each market, to make the "labour-money" really convertible into commodities.[9] In the end, the bank would order, control, receive, and pay for all

9. In a way, Gray recognized this fact: "The specific object of the proposed commercial association . . . is to make production the infallible cause of demand, and to give the greatest possible effect to labour and capital . . . by means of a thoroughly organized plan of production, exchange, distribution, and accumulation" (1831, 38).

products, and all individuals would be subordinated to it. But then we are no longer in commodity production and thus no longer in a capitalist society—an inevitable result of Gray's proposals to reform the economic system.

IV

I will now follow Marx's analysis of the other functions of money, in order to understand more thoroughly his critique of the "labour-money" scheme.

As money personifies abstract labor, its concrete equivalence with commodities, achieved in their sale, makes them "acquire the properties of a socially recognized universal equivalent" (Marx 1983, 108). When commodities are exchanged for money and money occupies their place, it acts as a means of circulation.[10]

Since for Marx exchanges occur between commodities of equal values, the role of money as a means of circulation requires the previous normalization, synchronization, and homogenization of the labor processes involved. However, the use of gold coins as a means of circulation causes their wear and tear, and commodities are soon exchanged for coins worth less then their face value. The continuity of exchanges in these circumstances shows that, although it is essential that in an abstract exchange the value of the amount of money involved equals the value of the commodity, in circulation as a whole, matters are different: what has to be preserved is no longer the value each participant at all times has, but the value-equivalence of the commodities exchanged, money operating merely as a representative or as a symbol of their values. Symbols of money may then perform exactly the same service as pure gold:

> The fact that the currency of coins itself effects a separation between their nominal and their real weight, creating a distinction between them as mere pieces of metal on the one hand, and as coins with a definite function on the other—this fact implies the latent possibility of replacing metallic coins by tokens of some other material. . . . Therefore things that are relatively without value, such as paper notes, can serve as coins in its place. (Marx 1983, 126–27).

10. As there is no a priori guarantee that the value of any specific commodity will be sanctioned, the need to sell implies the possibility of non-sale, or the formal possibility of crises.

Many divergences between Marx and Gray stem from their different views of money. For Marx, money is the unity of a measure of value and a means of circulation: "The commodity that functions as a measure of value, and, either in its own person or by a representative, as the medium of circulation, is money" (Marx 1983, 130).

Gray, on the contrary, sees money as a unique, static object that as a measure of value/standard of prices (he cannot separate them) would concretely, in a sale, certify the labor time necessary to the production of each commodity. It should not be any valuable object, so that it could be most easily reproduced and thus capable of preserving the values of commodities. In its role as a means of circulation, Gray wanted "labour-money" to be present in the same quantity as all goods and wealth put together, enabling it to purchase all commodities at the same time. Therefore, Gray's misunderstanding of the synchronization of labor processes leads him to a confusion between the fact that the sum of prices of all commodities must equal the sum of money paid for them, and the idea that that sum of prices would have to equal the total of money in circulation, or that the velocity of circulation of money should be unity.

For Marx (1981), Gray makes no more than a "clumsy confusion between the contradictory functions of money" (213). To be a measure of values, money must itself have value, since the determination of the amount of social labor in a private product is made first through an ideal comparison of the commodity with money. The result of this comparison is a price, given in the units of the standard of prices, that floats around the commodity's value. This is necessarily followed by a concrete equivalence between commodities and money, in a market sale. Such sales may, however, be made against mere token representatives of money, such as paper notes.

The exchangeability of commodities does not for Marx result from the intervention of money (as is the case for Gray) but is a characteristic of commodity production. The units that compose the means of circulation participate in several exchanges in their lifetime, simply by circulating more than once. They may thus realize, in the aggregate, values several times greater than their own, while in each exchange they are present in amounts whose value equals that of the commodity they are exchanged for. All in all, Marx's money contrasts sharply with Gray's: it is the dialectical unity of a measure of value, that works as an ideal body, with a means of circulation that may be substituted by symbols.

Let us now see how the functions of reserve value, means of payment, and world money derive in Marx from the unity of the measure of values and the means of circulation.

The value of money, like the value of any other commodity, is given at each moment by the social conditions of its reproduction; it is not "preserved" through time inside the physical body of a coin, and changes in this value surface in the form of generalized variations in commodities' prices. At the same time, money is always exchangeable for any commodity, due to the unvarying nature of values and of value-producing labor processes.

Only on this double basis may interruptions in the circulation of money lead to its use as a reserve value and to the formation of hoards. Hoarding plays a very important role in Marx, both because the volume of circulating money must respond to the needs of circulation itself and because money represents universal wealth, which may be retained to symbolize a general power of purchase. This power is not, however, absolute, since the value of the hoard depends on its size and on the present value of money.

If commodities are sold today to be paid for only later (or if they are rented), their buyer becomes a debtor. To close that transaction, he or she must either sell commodities and then transfer a given amount of means of circulation to the creditor, or gradually hoard money as reserve value and use it later on as a means of circulation to pay the outstanding debt. As such, money is used as a means of payment.

Attending the needs of trade and finance, all functions of money are performed in the international sphere by world money, that is, value in pure form and an incarnation of abstract labor recognized as such in every single nation. Of course, all domestic currencies must be convertible into world money to allow national commodities to be exchanged for foreign ones, or to insert nationally performed labors into worldwide commodity production.

Gray makes no careful discussion of money either as reserve value, means of payment, or world money. In his best case, presented above, "labour-money" would lead to an appreciating currency and to disturbances in creditor-debtor relations, at the same time as hoards would systematically gain value. Money hoards would not be, however, normal since for him production was directly aimed at consumption: "A man . . . having acquired property in the standard stock of the country, as proved by his possession of standard bank-notes, is sure to re-

quire *something* in exchange for them—the notes themselves being of no value whatever" (J. Gray 1848, 118–19).

In the international sphere, gold would continue to perform the role of world money:

> gold, silver, and copper goods, (coins,) of two distinct kinds, or classes, should be manufactured. . . . The first class would be required to pay balances to foreign countries; to buy goods from foreign countries . . . to enable persons, disposed to store up metallic property, to do so [etc.]. (Gray 1831, 77–8)[11]

Gray's valueless "labour-money," since it would merely reflect the intrinsic values of commodities, could at most be a means of circulation (which is ironic, since in his economy commodities would *not* really circulate). The functions of measure of value, means of payment, reserve value, and world money, intrinsically linked to gold's cursed "exclusivity," would either not be performed by money but instead by the bank-warehouses complex, or would be still carried out by gold.

V

The proposers of the "labour-money" scheme recognized labor as the source of value and wished to eliminate economic crises and unjust exchanges. To do so, they imagined a bank that, in Marx's analysis, would take as its starting point the fact that, in simple commodity production, if supply equals demand, prices will equal values. The bank would then try to do the converse—identify prices with values as a means of making supply match demand. As the bank guarantees an equivalent exchange for anything produced, private labor would become social a priori, and thereby every commodity would also be money. Since prices would be identical with values, money would lose its role, products would no longer be commodities—and the very basis of capitalism would be abolished, as a result of the effort to make Say's Law a reality.

We have seen that the "labour-money" could not fulfil all the functions of money, and that it would in fact be a non-money, in Marx's sense. This is a consequence of the fact that "labour-money" is incapable of socializing commodity-producing labors, a task that is carried

11. The second class of coins would be used, as we have seen, to make small payments.

out by the bank and the warehouses, which occupy in Gray's scheme the role of money in Marx's.

This does not happen by chance. When the authors who propose a "labour-money" declare "labor" to be the essence of values but do not admit a commodity to be the general equivalent, they make it transparent that their labor is not what Marx calls "abstract labour." In fact, their notion of labor comes hand in hand with the belief that commodity production and capitalism are eternal, ahistorical relations of production. As such, the labor they see present in every commodity is merely labor devoid of the concrete forms it acquires in use-values; it is the expenditure of human energy required by any enterprise, all over history—in this respect, it is equivalent to physiological labor. They may thus consider all goods to be immediately exchangeable, since their production always demands the expenditure of this kind of labor.[12]

Physiological labor is totally distinct from Marx's abstract labor, since the former is incompatible with the historicity of Marx's concept and with the transitory nature of commodity production itself. As a result of his inconsistent views, Gray cannot arrive at the Marxian concept of value, but only at the contradictions I have been discussing, that lead his monetary system to the paradox of ultimately denying the very kind of social division of labor that he sees as eternal.

According to Marx, Gray's mistaken appreciation of commodity production and money lead him to the utopian view that alterations in money would suffice to modify the form of socialization of private labor and to change the capitalist economy as a whole. Similarly, for Marx it is not through equivalent exchanges that we eliminate capitalism, exploitation, or crises—and we should remember that he studies surplus value on the assumption of equivalent exchanges between capitalists and laborers.

Marx's critique of the case for "free credit" was equally emphatic, but it will not be detailed here. He considers that the elimination of interest would neither prevent exploitation nor allow workers to buy back the products of their labor, but would only do away with one of the forms taken by surplus value. Marx would use this as an example

12. Their concept of capital is also an ahistorical one: for them, capital is labor accumulated and put in motion to create more wealth, or even mere monetary savings (see J. Gray 1831, 18, 40 and Bray 1931, 55). There is an obvious parallel between these authors and Ricardo, whose theory of value has been criticized by Marxists for failing to distinguish between abstract and concrete labor (see Fine 1986).

of what was to him utter ignorance of the nature of capitalist credit shared by those who made such proposals.[13]

Gray misapprehends the relations between money and commodities, which leads him either to assume away the contradictions of commodity production or to transfer their solution to a bank. When analyzing money, he says that gold is a commodity like any other, being a mere symbol of value. In this case any commodity, or all of them, could also be money, since no objective basis gives gold its privileges. At the same time, he shares the opposite (and also mistaken) view that money is totally different from commodities, the former being added to the world by convention, after the full development of commodity production.

Conclusion

In this article I have reviewed the case for the institution of a form of money based on labor time as advanced by John Gray; I also commented on similar ideas held by, among others, Bray, Proudhon, and Darimon. I criticized such conceptions following Marx's line of argument, showing that their theoretical weaknesses are symptoms of an ahistorical approach to economics and of an undeveloped analysis of commodity production. I concluded that the "labour-money" cannot be money, and that if it were to exist, money could no longer be what it now is.

My main objective, however, concerned the study of Marx's own theory of money. The analysis of his critiques of the "labour-money" scheme enabled me to show that in Marx's view the attribution of values and prices to commodities is neither direct nor straightforward, but is composed of three distinct processes that relate individual commodity-producing labors to the world of commodities: the normalization, the synchronization, and the homogenization of labors. Furthermore, the close relations between value and money theories in Marx were stressed, and the various functions of money were analyzed within this framework. The use of Marx's critiques of the "labour-money" scheme with these purposes is not fortuitous: by showing how

13. Credit and interest in Marx are discussed by Fine (1985–86); for Marx, "as long as the capitalist mode of production continues to exist, interest-bearing capital, as one of its forms, also continues to exist and constitutes in fact the basis of its credit system. Only that sensational writer, Proudhon, who wanted to perpetuate commodity production and abolish money, was capable of dreaming up the monstrous *crédit gratuit*, the ostensible realization of the pious wish of the petty-bourgeois estate" (Marx 1984, 607–8).

Marx unveiled the contradictions in that proposal, some very important aspects of his own theory of money could be brought to light.

References

Allio, Renata. 1978. *Le Contraddizioni Economiche di Proudhon Nella Critica di Marx*. Bologna: Patron Editore.

Beer, Max. 1953. *A History of British Socialism*, 2 vols. London: G. Allen & Unwin.

Bray, John. [1831] 1931. *Labour's Wrongs and Labour's Remedy: or, the Age of Might and the Age of Right*. London: London School of Economics Reprints.

de Brunhoff, S., and P. Ewenczyk. 1979. La Pensée Monetaire de K. Marx au XIXe et au XXe Siècle. In *Les Rapports d'Argent*, edited by S. de Brunhoff. Grenoble: PUG/F. Maspero.

Fine, Ben. 1980. *Economic Theory and Ideology*. London: Edward Arnold.

——— 1985–86. Banking Capital and the Theory of Interest. *Science and Society* 44.4 (Winter): 387–413.

Fine, Ben, ed. 1986. *The Value of Dimension: Marx Versus Ricardo and Sraffa*. London and New York: Routledge & Kegan Paul.

Gray, Alexander. 1947. *The Socialist Tradition: Moses to Lenin*. London: Longmans, Green & Co.

Gray, John. 1831. *The Social System*. Edinburgh: W. Tait.

———. 1848. *Lectures on the Nature and Use of Money*. Edinburgh.

Henderson, James P. 1985. An English Communist, Mr. Bray [and] His Remarkable Work. *HOPE* 17.1 (Spring): 73–95.

Kimball, Janet. 1948. *The Economic Doctrines of John Gray*. Catholic University of America, Studies in Economics no. 21. Washington, D.C.: Catholic University.

King, J. E. 1983. Utopian or Scientific? A Reconsideration of the Ricardian Socialists. *HOPE* 15.3 (Fall): 345–73.

Lee, Chai-on. 1990. On the Three Problems of Abstraction, Reduction, and Transformation in Marx's Labour Theory of Value. Ph.D. thesis, University of London.

Marx, Karl. 1981. *Grundrisse*. Harmondsworth: Penguin.

———. 1983. *Capital*, vol. 1. London: Lawrence & Wishart.

———. 1984. *Capital*, vol. 3. London: Lawrence & Wishart.

———. 1987. A Contribution to the Critique of Political Economy. In vol. 29 of *The Collected Works of Karl Marx and Friedrich Engels*. London: Lawrence & Wishart.

Menger, Anton. 1899. *The Right to the Whole Produce of Labour*, with an introduction by H. S. Foxwell. London: Macmillan.

Proudhon, Pierre-Joseph. 1923. *Système des Contradictions Economiques ou Philosophie de la Misère*, 2 vols. Paris: Marcel Riviere.