

# The *Grundrisse* (The 1857-58 Manuscript)

## The Chapter on Money: Part 7

*Money as the Material Representative of Wealth* (pp. 203-225)

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Marx has discussed two functions of money: (1) as measure of exchange value, i.e. as unit of price, and (2) as medium of circulation.<sup>1</sup> He now comes to a third, inserting the heading: “(c) Money as material representative of wealth (accumulation of money; before that, money as the general material of contracts, etc.)”. (Marx 1973, p. 203)

“It is in the nature of circulation that every point appears simultaneously as a starting-point and as a conclusion, and, more precisely, that it appears to be the one in so far as it appears to be the other.” (Marx 1973, p. 203) Seen from this point of view, the movement C-M-M-C appears “just as correct” as M-C-C-M. In the process C-M-M-C, under the assumption that one quantity of labour-time is exchanged for another of the same magnitude, the actual quantity of money involved is irrelevant.<sup>2</sup>

At first, in the case of barter, such as in that of the exchange of gold for a commodity, the latter is exchange value only in itself, as its phenomenal form. Exchange does not dominate production, but only that “superfluous” part of it. To the degree that exchange comes to dominate the purpose of production the “regulation of reciprocal exchange arises by means of regulation of reciprocal production, and the costs of production, which ultimately resolve into labour time, [...] [and] thus become the measure of exchange.” (Marx 1973, p. 205) The product becomes *posited* (“*gesetzt*”; Marx 2006, p. 133) as exchange value and is no longer a “simple thing”; it is “posited as a relation, more precisely as a relation in general, not to one commodity but to every commodity, to every possible product.” (Marx 1973, p. 205) Social labour is the substance of

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<sup>1</sup> As well as “function” (“*Function*”) Marx also uses the word “*Bestimmung*”—“determination”.

<sup>2</sup> “[L]abour which directly produces gold directly reveals a certain quantity of gold to be the product of, say, one working day. Competition equates the other working days with that one, *modificandis modificatis*. [...] The determination of all commodities as prices—as measured exchange values—is a process which takes place only gradually, which presupposes frequent exchange and hence frequent comparison of commodities as exchange values; but as soon as the existence of commodities as prices has become a precondition—a precondition which is itself a product of the social process, a result of the process of social production—then the determination of new prices appears simple, since the elements of production cost are themselves already present in the form of prices, and are hence simply to be added.”

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all products; since “labour is motion, time is its natural measure”; and a commodity is exchange value expressed in another, as a relation.

We come now to a crucial point (and very close to how Marx will express himself in *Capital I*). In this relation, the commodity in which the exchange value of another is expressed is itself not expressed as exchange value, but as its natural form. “If 1 bushel of wheat is worth 3 bushels of rye, then only the bushel of wheat is expressed as a value, not the bushel of rye.” (Marx 1973, p. 206) The same is true for (the commodity that functions as) money. “If 1 bushel of wheat has the price of 77s. 7d. , then it is expressed as something else, to which it is equal, as 1 ounce of gold, as relation, as exchange value. But 1 ounce of gold is in itself no exchange value ; it is not expressed as exchange value; but as a specific quantity of itself, of its natural substance, gold.” (Marx 1973, p. 206)

In exchange value, commodities (products) are posited as relations to their social substance, to labour; but as prices, they are expressed as quantities of other products of various natural make-ups. Now, it can admittedly be said that the price of money is also posited as 1 bushel of wheat, 3 bushels of rye and all the other quantities of different commodities, whose price is 1 ounce of gold. But then, in order to express the price of money, the whole sphere of commodities would have to be listed, each in the quantity which equals 1 ounce of gold. Money would then have as many prices as there are commodities whose price it itself expresses. The chief quality of price, unity, would disappear. No commodity expresses the price of money, because none expresses its relation to all other commodities, its general exchange value.<sup>3</sup> (Marx 1973, p. 207)

When we take money as measure (as unit of price), it presents itself ideally, and its actual presence is unnecessary; when we take it as medium of exchange, on the other hand, the it must indeed be present, and in given quantities. But in its physical presence it does no more than realise the commodities as exchange values: “[m]oney as medium of circulation is only medium of circulation. The only attribute which is essential to it in order to serve in this capacity is the attribute of quantity, of amount [...]”<sup>4</sup> (Marx 1973, p. 209) But in this function its presence is, as we have seen, “fleeting and destined to suspend itself. [...] It is only a *semblance* [...]: a semblance which disappears as soon as the process is ended, as soon as gold and silver have again been exchanged for a commodity, and the commodity, hence, exchanged for another.” (Marx 1973, p. 209)

In its function as measure of value, it is essential that each unit of currency in circulation really represent a given amount of precious metal; in the action of exchange, whether such a value is represented is irrelevant. “[I]f a fake £ were to circulate in the place of a real one, it would render absolutely the same service in circulation as a whole as if it were genuine. [...]. [...] [A] genuine pound is, therefore, in this process, nothing more than a symbol [...] Here the gold pound serves only to allow commodity *A* to be exchanged for commodity *B*, both having the same price.” (Marx 1973, p. 210)

In the exchange of one commodity for another, money, functioning as medium of circulation,

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<sup>3</sup> When Marx says that “every commodity which expresses the price of another is itself not posited as exchange value, but as a simple amount of itself”, and that “[t]his is precisely what distinguishes price from exchange value”, this is exactly what he will argue in *Capital I*, only with there value in place of exchange value, and exchange value in place of price.

<sup>4</sup> “Since the amount is co-determined by the velocity, the latter does not require special mention here.”

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“is neither the measure of prices, because it is already posited as such in the prices themselves; nor is it the means for the realisation of prices, for it exists as such in one single moment of circulation, but disappears as such in the totality of its moments; but is, rather, the mere representative of the price in relation to all other commodities, and serves only as a means to the end that all commodities are to be exchanged at equivalent prices.” (Marx 1973, p. 211) In this way money is not just the representative of commodities, but it also functions as a symbol of itself. This is why the money that functions in circulation can be replaced by a symbol, for money’s role in circulation is itself symbolic.

Nevertheless, if money within circulation functions as a “material symbol”, outside of circulation it “again becomes a realised price”. We see here the realisation of the contrast between money as measure, where its “material substratum” is essential, but its quantity (or even presence) is irrelevant; and as medium of exchange, where what is determining is its quantity, but where its presence may only be symbolic. (It is because of the former that the debasement of money produces a rise in prices; something otherwise inexplicable if money in circulation were really symbolic and money had in fact no other function.<sup>5</sup>)

Marx notes here that that “debasement” that consists of “a mere falsification of the name of the fractional parts of the precious metal” is purely nominal and “makes absolutely no difference in the measure”. On the other hand, “if the substratum of money, gold, silver, is entirely suspended and replaced by paper bearing the symbol of given quantities of real money, in the quantity required by circulation, then the paper circulates at the full gold and silver value.” (Marx 1973, p. 213)

That money in circulation is symbolic in this way of course explains why it is not the quantity of money in circulation that determines the price level.

Example of the clumsy confusion between the contradictory functions of money: “Price is exactly determined by the quantity of money there is to buy it with. All the commodities in the world can fetch no more than all the money in the world.” First, the determination of prices has nothing to do with actual sale; money, in sale, serves only as measure. Secondly, all commodities (in circulation) can fetch a thousand times more money as is in the world, if every piece of money were to circulate a thousand times. (The passage is quoted from the *London Weekly Dispatch*, 8 November 1857.) (Marx 1973, p. 213)

If it is the case that the sum of prices to be circulated changes with the mass of them cast into circulation (and that the velocity of circulation is independently determined) then the mass of circulation medium needs to be able to be expanded and contracted.

When money serves as medium of circulation, it ceases to be a (particular) commodity: its material is unimportant. As medium of exchange, “money appears in the role of necessary mediator between production and consumption.” (Marx 1973, p. 214) In what Marx calls “the developed money system”, “one produces only in order to exchange, or, one produces only by exchanging.” If money were eliminated, “one would thereby either be thrown back to a lower stage of production (corresponding to that of [...] barter), or one would proceed to a higher stage, in which exchange value would no longer be the principal aspect of the commodity, because social labour, whose representative it is, would no longer appear merely as socially mediated private labour.” (Marx 1973, p. 214)

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<sup>5</sup> Money is, in short, far more than just a “veil”.

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Marx now turns to whether or not money in circulation is “productive”. Adam Smith says it is not. The French political economist François-Louis-Auguste Ferrier says that it is, since “[i]t creates values, because they would not exist without it.” (Marx 1973, p. 214, quoting (or paraphrasing) Ferrier) Both are, in some sense, right. “Smith is correct, in so far as it [i.e. money] is not the instrument of any particular branch of production; Ferrier is right too because it is an essential aspect of the mode of production resting on exchange value that product and agency of production should be posited in the character of money, and because this characteristic presupposes a money distinct from products [...]” (Marx 1973, p. 214) (Why this—whether or not money is productive—is important will become clear as we advance.)

Marx looks at the overall movement C-M-M-C again. The movement can be decomposed into “two acts of direct barter.” In this sense, says Marx, Adam Smith is right when he says that money is only a more complex form of barter. But when the whole process is considered, Smith’s critics, who charge him with misunderstanding that money “suppresses” barter, appear correct.

It is in nature of commodities to drop out of circulation (to transform themselves from *marchandises* to *denrées*<sup>6</sup>); it is in the nature of money that it does not, “*as long as it remains within the role of medium of circulation.*” (Marx 1973, p. 215, italicisation added)

Insofar as money saves us unnecessary trouble (insofar as it allows us to obtain a desired article in exchange without having to realise “a mass of swaps”; or to avoid having to “undertake an investigation into the relative value of commodities”), then it could be said that “it does service as an instrument of production”, is, in other words, “productive”. But like all instruments of production it becomes not only unproductive but a “*faux frais de production*” (unnecessary cost of production) once it is present in *excess* of the quantity of it needed for its productive use.

The function of money as the material embodiment of wealth (its third function) “in its complete development, presupposes the first two [functions] and constitutes their unity.” (Marx 1973, p. 216) Money, when it is not circulating, can be transformed into a *hoard* (“*Schatz*”; Marx 2006, p. 143). The accumulation of gold and silver as a hoard presupposes their use as *money*; “[o]therwise, accumulating [...] [them] is nothing more than the accumulation of gold and silver, not of money.” (Marx 1973, p. 216)

(From this emerges a *fourth* function—when “money [...] [is] exchange value become independent” (Marx 1973, p. 217) there emerges the possibility of money as *capital*, which Marx indicates he will deal with further on.)

Money as accumulated (or accumulable) wealth represents now “general wealth in the form of a concise compendium, as opposed to its diffusion and fragmentation in the world of commodities.” Money, so to speak *as money*, “satisfies every need, in so far as it can be exchanged for the desired object of every need, regardless of any particularity. [...] With money, general wealth is not only a form, but at the same time the content itself. The concept of wealth, so to speak, is realized, individualized in a particular object” In the individual commodity, wealth is posed in ideal form, as price; “[i]n money, by contrast, the price is realized; and its substance is wealth itself considered in its totality in abstraction from its particular modes of existence.” (Marx 1973, pp. 218 and 221<sup>7</sup>)

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<sup>6</sup> “*Marchandise*” in French is “commodity” in the general sense; “*denrée*” is commodity in the sense of that which is consumed (rather than that which is traded), or which is destined to be consumed.

<sup>7</sup> In the middle of this discussion Marx passes from Notebook 1 to Notebook 2 of the Manuscript. This does not

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Money (general wealth) in tangible form (as gold) may come into the possession of individual owners. But the individual who comes into possession of money does so not in virtue of any individual aspect of herself; “[i]ts relation to the individual thus appears as a purely accidental one ; while this relation to a thing having no connection with his individuality gives him, at the same time, by virtue of the thing’s character, a general power over society, over the whole world of gratifications, labours, etc.” (Marx 1973, p. 222)

Money, says Marx, is therefore not just an object, it is a paradigm object of *greed*; the greed for money is “[g]reed *as such*”. (Marx 1973, p. 222, italicisation added) Greed in this form is not natural, but historical: “greed itself is the product of a definite social development”. (Marx 1973, p. 222) Hedonism and miserliness are the two sides of the greed for money: “[a]bstract hedonism realizes that function of money in which it is the *material representative of wealth*; miserliness, in so far as it is only the general form of wealth as against its particular substances, the commodities.” (Marx 1973, p. 222)

Monetary greed is antithetical to ancient societies, where exchange value was not the *nexus rerum* (the nexus of all things): exchange value only appears within the mercantile classes, which lived in the interstices of that world (“as the Jews in Poland or in the Middle Ages” (Marx 1973, p. 223)). In the ancient civilisations (Greece, Rome), exchange value develops to a level sufficient for money to appear in its third function. But money in this role can only advance productively if it is both the *result* of circulation and its precondition; in the case of Rome, money was accumulated through theft, not through action of labour. “A particular individual may even today come into money by chance, and the possession of this money can undermine him just as it undermined the communities of antiquity.” (Marx 1973, p. 223) To the degree that money as the material representative of general wealth is not the result of wage labour it acts as a social corrosive, for it is only as “the wellspring of general, self-reproducing wealth” can money act productively in the social realm. “It is clear [...] therefore, that when wage labour is the foundation, money does not have a dissolving effect, but acts productively; whereas the ancient community as such is already in contradiction with wage labour as the general foundation. [...] Where money is not itself the community, it must dissolve the community.”<sup>8</sup> (Marx 1973, p. 224)

The discovery of gold plays a significant role in social development, but, Marx argues, it is not everyone who is enriched.

The seeking of monetary wealth characteristic of the Mercantilist system is as the search for money as carried out by the alchemists is: the immediate period before the rise of bourgeois

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imply any kind of conceptual transition; it simply appears that the first Notebook was full and Marx wanted to keep on writing (the break between the two Notebooks occurs literally mid-sentence (Marx 2006, p. 145)). It is unfortunate therefore that the pagination of Marx 1973 (pp. 218-21) gives the impression that there *is* a conceptual break, for it might lead some people to draw the same conclusion that David Harvey does: “[t]he opening of a new notebook in the *Grundrisse* often provokes Marx to refocus. This is certainly what happens here.” (Harvey 2023, ch. 1 (“Marx’s Introduction: Pages 83–111”)). But that is exactly what does *not* happen here; not in this case, at least. (Marx 1986 (p. 153), by contrast, is paginated appropriately.)

<sup>8</sup> “In antiquity, one could buy labour, a slave, directly; but the slave could not buy money with his labour. The increase of money could make slaves more expensive, but could not make their labour more productive. *Negro slavery*—a purely industrial slavery—which is, besides, incompatible with the development of bourgeois society and disappears with it, *presupposes* wage labour, and if other, free states with wage labour did not exist alongside it, if, instead, the Negro states were isolated, then all social conditions there would immediately turn into pre-civilized forms.”

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society was characterised by the general greed for money as much on the part of states as on that of persons. “The real development of the sources of wealth takes place as it were behind their backs [...]” (Marx 1973, p. 225) Where monetary wealth did not arise out of circulation (as in the case of Spain, where it was “discovered physically”), “the nation is impoverished”; however, the nations which have to work in order to get it from the Spaniards develop the sources of wealth and really become rich.” (Marx 1973, p. 225) The discovery of gold and silver had enormous social consequences, but in this process not everyone on the discoverers’ side was finally enriched.

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