

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

The Chapter on Money: Part 2

Value and Price (pp. 136-144)

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One difficulty (as we have seen) with metallic (gold and silver) money, or paper money convertible to gold, is that its denomination (one sovereign, one pound, one franc) is equated with a given (statutorily determined) amount of metal; this amount of metal is equivalent to a given amount of labour-time, which means that the *value* of the money—equal to what it can be exchanged *for*—is sensitive to the labour-time necessary to produce that metal. Over time, we would expect, and actually observe, a secular rise in the general productivity of labour, the amount of labour-time a given amount of metal will represent will fall correspondingly. If money (whether metal money or token money) is denominated in units (weights) of gold, whether directly or indirectly (symbolically), then, given a secular rise in the general productivity of labour, such money will be devalued over time.

But what if, Marx asks (Marx 1973, p. 135), “the title of labour-time should go [...] to paper money, [...] [as] a mere symbol of value”?¹ (Marx 1973, p. 135) Now, a rise in the productivity of labour would mean a *rise* in the money’s purchasing power. “According to the same law which would subject golden labour money to a constant depreciation, paper labour money would enjoy a constant appreciation.” (Marx 1973, 135) And the (Proudhonite and Owenite) socialists would say that that is its advantage: “the worker would reap the joys of the rising productivity of his labour, instead of creating proportionately more alien wealth and devaluing himself as at present.” (Marx 1973, pp. 135-6)

Marx signals that it is to this, labour-time money, “time-chits”—and specifically to their “convertability”—that he will now (Marx 1975, p. 136) turn his attention. (Nevertheless, he will very quickly shift to a discussion of money itself, and the relations of value and exchange value on which it is based and out of which it emerges.)

“Although it is still too early, a few observations can be made about the delusions on which the time-chit rests, which allow us an insight into the depths of the secret which links Proudhon’s

¹ “[A]s [Wilhelm] Weitling [an early theorist of communism] proposed, with Englishmen [a reference to Robert Owen (who was, in fact, Welsh)] ahead of him and French after, Proudhon & Co. among them.”

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theory of circulation with his general theory—his theory of the determination of value.”² (Marx 1975, p. 136)

(Before advancing, however, Marx says that, “incidentally”, if paper money, which is simply a draught on gold, is issued in excess of the gold on which it is a draught it cannot *help* but be depreciated. “Three drafts of £15 which I issue to three different creditors on the same £15 in gold are in fact only drafts on $\frac{£15}{3} = £5$ each. Each of these notes would have depreciated to $33\frac{1}{3}$ per cent from the outset.” (Marx 1975, p. 136))

Marx now begins the shifts to the discussion of money, and of value.

The “value” of all commodities, “labour included”—Marx calls this their “real exchange value”—“is determined by their cost of production, in other words by the labour-time required to produce them.” (Marx 1973, pp. 136-7) Their *price* is this exchange value expressed in money.

Replacing *metallic* money (or tokens representing metallic money) with *labour* money (denominating labour time) would in effect amount to “equat[ing] the *real value* (exchange value) of commodities with their *nominal value, price, money value*.” (Marx 1973, p. 137) Such an equation would only be permissible were it the case that the distinction between value and price were *only* nominal. But it is not. “The value of commodities as determined by labour time is only their *average value*,” Marx tells us. (Marx 1973, p. 137) This average is the average of what Marx calls here “*market value*” (which we can take to be the price of a commodity on the market, in the sense of what it actually sells for). “Real value” is an average in that it is the mid-point of the oscillations of market value (the latter’s “center of gravity”, so to speak). Market value and real value will thus coincide in magnitude “only coincidentally and exceptionally.” (Marx 1973, p. 137) “*Price* [i.e. “real value”] therefore is distinguished from *value* [i.e. “market value”] not only as the nominal from the real; not only by way of the denomination in gold and silver, but because the latter appears as the law of the motions which the former runs through.” (Marx 1973, p. 137)

The difference between value and price is twofold, therefore. On the one hand, it is the difference between a “real” value and a “nominal” one (a difference presumably resting on a difference in the units in which the two are expressed; labour-time and money, respectively); on the other, the difference is one between the “average” value (“centre of gravity) of the oscillations of a constantly varying magnitude.

Marx flags as the “first basic illusion of the time-chitters” is that they “annul[] 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 [...]” (Marx 1975, p. 138) This elimination of the difference between price and value in turn suggests the removal of

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

² And not just Proudhon; Marx also cites John Francis Bray (1809–1897) and John Gray (1799–1883). Bray, a Chartist, who later moved back to the United States, where had had been born, was the author of *Labour’s Wrongs and Labour’s Remedy* (1839), identified by Marx in the *Poverty of Philosophy* as an inspiration to Proudhon’s economic ideas. Grey, a supporter of Robert Owen, wrote the book *A Lecture on Human Happiness*, a foundational text for the school of thought subsequently known as Ricardian socialism.

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would be directly transformed into money; and gold and silver, for their part, would be demoted to the rank of all other commodities. (Marx 1973, p. 138)

In practical terms, given that the time-chit would represent *average* labour-time (“real value”) it could never be convertible into what Marx calls “actual” labour-time. (Marx 1973, p. 139)

There is a second issue, that of the continuous overall increase in the productivity of labour, already mentioned; curiously, Marx does not pursue this second aspect further at this point in the text.

The result of this is that the time-chit, functioning as money, “would represent an *ideal* labour-time” (Marx 1973, p. 139, italicisation added) which would need to be exchanged in given circumstances against *actual* labour-time, the latter being in the normal run of things of a magnitude different to the former. With actual money (“proper” money, to coin a phrase), the money acts as a “third commodity”, which functions as the measure of the “real exchange value” being expressed.

Because price is not equal to value, therefore the value-determining element—labour-time—cannot be the element in which prices are expressed, because labour time would then have to express itself simultaneously as the determining and the non-determining element, as the equivalent and non-equivalent of itself. (Marx 1973, p. 140, italicisation in original.)

(It is clear here that Marx is *grasping towards* the very clear distinction that he will make at the outset of *Capital I* of the distinction between *value* and *exchange value*, of the latter being “the necessary mode of expression, or form of appearance” (Marx 1976, p. 128) of the former, but without actually arriving at this specific conclusion.)

If commodity $A = 1$ shilling (i.e. $= \frac{1}{x}$ (oz.) of silver), and commodity $B = 2$ shilling ($= \frac{1}{x}$ (oz.) of silver), then commodity $B =$ double the value of commodity A (It is Marx who uses the “=”; Marx 1973, p. 140). Marx then comments: “The value relation between A and B is expressed by means of the proportion in which they are exchanged for a quantity of a third commodity, namely silver; they are not exchanged for a value relation.” (Marx 1973, p. 140)

(But this cannot be right. It is true that the value relation $2A = B$ is not a direct value relation, but one expressed through the mediation of silver, but the value relation of each of A and B with silver, is. Once we get to *Capital*, what it is that mediates the value relation between two commodities (the “third thing”) is *not* another commodity but (socially necessary) labour-time itself. What it is that then functions as money (be this a commodity, convertible or non-convertible tokens, even time-chits themselves) functions as money insofar as it is able to act as what Marx calls a “*universal equivalent*”, as a universal representation of (socially necessary) labour-time. Whatever it is that functions as money has this ability to act as universal equivalent thrust upon it because it does function as money; it is not that whatever functions as money does so because it is already a universal representation of labour-time (that would be a “fetish” form), but that it becomes so *because* it functions as money.)

“Every commodity,” Marx tells us, be this commodity a “product or instrument of production”, “is = the objectification of a given amount of labour-time.” The *value* of commodities is “the relation in which they are exchanged against other commodities, or other commodities against them”, and is “= to the quantity of labour-time realized in them.” (Marx 1973, p. 140).³

³ This assumption, however, is founded on “the presupposition that exchange value = market value; real value = price.” (Marx 1975, p. 140)

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Noting that a commodity and its value are two different things, Marx goes on to say that “[t]he commodity is a value (exchange value) only within exchange (real or imagined)”, and that value is “exchangeability”, both “in general” and “specific”. This last distinction seems to boil down to this: “value is at the same time the exponent of the relation in which the commodity is exchanged with other commodities, as well as the exponent of the relation in which it has already been exchanged with other commodities (materialized labour time) in production; it is their quantitatively determined exchangeability.”⁴ (Marx 1973, pp. 140-41)

As physical objects, commodities are both different and incommensurable. As values, commodities are “qualitatively equal and differ only quantitatively, hence can be measured against each other and substituted for one another (are mutually exchangeable, mutually convertible) in certain quantitative relations.” (Marx 1973, p. 142) *Value* is “their [commodities’] social relation, their economic quality.” Treating commodities as values is therefore to make an “abstraction from the matter they are composed of and all their natural qualities”. (Marx 1973, p. 142) It is to treat the commodity as “an equivalent, a purely economic existence, in which [...] it is a mere symbol, a cipher for a relation of production, a mere symbol for its own value.” (Marx 1973, p. 141)

We have seen in the above that what Marx calls the “value relation” between two commodities is mediated by a “third” commodity (in the case above silver, i.e. (commodity) money). Marx now changes tack somewhat.

Products (or activities) are exchanged only as commodities; commodities in exchange exist only as values; only as values are they comparable. In order to determine what amount of bread I need in order to exchange it for a yard of linen, I first equate the yard of linen with its exchange value, i.e. $= \frac{1}{x}$ hours of labour-time. Similarly, I equate the pound of bread with its exchange value, $= \frac{1}{x}$ or $\frac{2}{x}$ etc. hours of labour time. I equate each of the commodities with a third; i.e. not with themselves. This third, which differs from them both, exists initially only in the head, as a conception, since it expresses a relation; just as, in general, relations can be established as existing only by being thought, as distinct from the subjects which are in these relations with each other. (Marx 1973, p. 143)

Now, the mediation is undertaken by labour-time itself. But note that here in Marx’s account that the mediation exists “in the head”; note too that it is *conscious* (rather than being brought about through the market, through, so to speak, “the hidden hand”): “I first equate the yard of linen with its exchange value [...]” Nevertheless, for it to be possible to treat a commodity in this way (to treat it as a value), be this treatment “ideal” or not, or conscious or not, it presupposes that all commodities (not just the single commodity under consideration) are so treated. “[T]he transformation of the commodity into exchange value does not equate it to any other particular commodity, but expresses it as equivalent, expresses its exchangeability relation, *vis-à-vis* all other commodities.” (Marx 1973, p. 144) But this relation too must be mediated: “to realise the commodity as exchange value [...], [...] to give it the general influence of an exchange value, it is not enough to exchange it for one particular commodity. It must be exchanged against a third thing which is not in turn itself a particular commodity, but is the *symbol* of the commodity as commodity, of the commodity’s exchange value itself; which thus represents [...] labour-time as such [...]” (Marx 1973, p. 144, italicisation added)

⁴ It is difficult not to see Marx here addressing the dichotomy in Adam Smith between the conception of “value” as being determined by the labour represented by the production of a commodity and that represented by what the commodity “commands” in exchange.

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This “symbol” is *money*: “[s]uch a symbol presupposes general recognition; it can only be a social symbol; it expresses, indeed, nothing more than a social relation.” (Marx 1973, p. 144) But even if (as Marx appears to have suggest earlier) the conception of the commodity as a value is a conscious mental act, the appearance of money is the result of a *social* process. “[T]his symbol, this material sign of exchange value, is a product of exchange itself, and not the execution of an idea conceived *a priori*. (In fact the commodity which is required as medium of exchange [...], [which] becomes transformed into money, [...] can in turn be replaced by a symbol of itself. It then becomes the conscious sign of exchange value.)” (Marx 1973, p. 144)

It is therefore to a discussion of *money* that Marx will dedicate the next part of the Manuscript.

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