Part One: Commodities and Money

Chapter 1. The Commodity

Section 1. The Two Factors of the Commodity: Use-Value and Value (Substance of Value, Magnitude of Value)

Marx begins *Capital* by saying that '[t]he wealth of societies in which the capitalist mode of production prevails appears as an "immense collection of commodities"; the individual commodity appears as its elementary form. Our analysis therefore begins with the analysis of the commodity' (125).

These opening lines contain three interlocking themes – analytical, socio-historical, and experiential – that recur in Marx's study of capitalism. Firstly, he rejects the claims of free-market, 'liberal' economists, typically represented by Adam Smith's 1776 *An Inquiry into the Nature and Causes of the Wealth of Nations*. Even if you have not formally studied any economics, you are probably familiar with the common sense of liberal political economy, because its claims are the ones often taken to be true by mainstream politicians and journalists. Smith argues that market exchanges involve consensual agreements between buyers and sellers, who trade with one another to satisfy their own needs. In this light, he believes that if commerce is liberated from the state's interference through taxes and tariffs, then the market place will spontaneously expand to benefit everyone. For Smith, while humans trade for selfish reasons, they must, however, learn to co-operate with each other to achieve their desires. This produces fellow feeling, which, along with the checks of supply and demand, is the 'invisible hand' that prevents traders from creating market crises and conflict.

By replacing Smith's phrase – 'the wealth of nations' – with 'the wealth of societies', Marx indicates that he intends *Capital* to be, as his subtitle says, 'a critique of political economy'. By using the word 'societies' rather than 'nations', Marx suggests that the basic assumptions of free-marketeers are wrong. Our immediate problem involves the structure of capitalist *society* and the way its economic practices create profit, not the relationship between the nation-state and the market place. While Marx later explains the role of governments in assisting the rise of capitalism, he sees it as a structure greater than individual nation-states, even while governments frequently shape its contours through legislation. Marx calls his book a critique, rather than a criticism, of political economy, because he will not just disagree with writers like Smith, he will explain *how* their arguments are wrong in that they are based on partial claims, ones made often without regard to the historical development of market relations, especially in the turn from a feudal to a modern commercial society.

The introductory line's second theme, consequently, is a historical one. With the phrase, 'in which the capitalist mode of production prevails', Marx insists that he is not writing about societies in general. He wants instead to focus specifically on societies in which capitalist economic practices dominate – capitalist societies. Throughout *Capital*, Marx constantly highlights the *particular* features that make capitalism new and distinctive from pre-capitalist practices, even while it also incorporates elements from the past. Marx often begins his chapters by discounting popular definitions of words and replacing them with his own, because he thinks that the commonly used ones obscure (and implicitly justify) the newness of capitalism. This fussiness about definitions may seem pedantic, but Marx does so because he wants his readers to understand why capitalism differs from older kinds of commodity exchanges and labour practices so that we can perceive what needs to be changed to get outside the damaging world that capitalism makes. If we learn what makes capitalism unique and how it *began*, then we can think about how it may *end*. To replace capitalism with a post-capitalist world – no matter what word we use for this: socialism, communism, or any other name – we need to know what specifically turns market trades into capitalist market trades.

The third theme follows on from the first two as it involves how we come to understand capitalism's historical transformation of non-capitalist societies. At first glance, capitalist societies seem to be different, because they create an 'immense collection of commodities'. We do not have to be economic experts to realize that more and more things are for sale than in the past. In the end, Marx will not actually define capitalist societies by their creation of consumer choices. One of Marx's major claims in *Capital* is that different economic practices should always be defined in terms of how and why they *produce* goods, rather than how and why people *consume* them. A basic difference between Marx and liberal economists like Smith rests in this difference of perspective. Smith considers the market place of consumer choices as the only important sphere of economic practices. Marx insists that the sphere of production is the actual location that matters.

At this point in *Capital*, he has not yet made this claim. Why then start by talking about an effect of capitalism, the 'appearance' of consumable commodities, rather than its defining feature of how it produces these commodities? Marx begins in what seems to be the reverse order to illustrate his belief that we have to start with what we experience, what is before our eyes, and then work 'backwards' to learn what causes these effects. Throughout *Capital*, Marx first describes an aspect of capitalism and then explains its cause. Sometimes he delays this explanation for a very long time. For example, Marx waits until the volume's last part, 'So-Called Primitive Accumulation', to explain how capitalism emerged from pre-capitalist societies and what lies at the root of all capitalist accumulation. Why not start with the beginning? After all, one of the most frustrating challenges for first-time readers of *Capital* is that because Marx argues from appearance (the effect) to cause, rather than the reverse, we have to struggle through the first sections of *Capital*, which are notoriously difficult to follow because their dense philosophical language makes it hard to perceive where the argument is leading or why a dry and abstract discussion of value is necessary before turning to the gripping, and almost immediately understandable, description of exploited workers.

Yet the strange thing is that once you have read the entire book and understood its argument, *Capital*'s early pages will in retrospect seem almost obvious. Marx says that this initial difficulty of comprehension is true for every new way of understanding the world. The principle of gravity was once hard to conceptualize, even while we have always experienced its effects, because humans first have to understand that the earth rotates around the sun, and pre-Galilean science thought that the earth was stationary. Nowadays the notion of gravity seems self-evident because we have the analytical tools that make the concept clear. You might find the same happening with your own reading of *Capital*. What seems hard at first becomes easier when you look back and recall Marx's later, concrete examples.

Marx writes in this way, though, to make an additional point. He wants to insist that we can use our everyday experiences as the medium for understanding the world's unseen complexities, and, furthermore, that world revolutions happen when we transform these experiences, rather than simply inventing new abstract, philosophical concepts in isolation from what we perceive. *Capital* is a revolutionary text, not because Marx has realized something before anyone else (although he does claim this); its power results from how Marx gives us a critical language to describe what we already know, even if in a vague and incoherent fashion, and then redirect this new-found understanding through social and political action. Even though Marx was himself well aware that *Capital*'s terms and organization make it challenging to read, he still kept them, even after many drafts and revisions, because he wants to teach us how to think through a problem and not just passively learn his answers. Marx wants to empower his readers by showing us that we can learn how to learn and become engaged in changing society.

Before continuing, one other important feature of this version of *Capital*'s first paragraph is worth mentioning.

All the English versions of *Capital* translate the original German of 'eine "ungeheure Warensammlung"' as 'an "immense collection of commodities"'. While it is not incorrect to use 'immense' for 'ungeheure', the word can also be translated as 'monstrous'. On one hand, 'immense' makes sense because Marx argues that the logic of capitalism results in a massive increase in the number of produced commodities. On the other, 'monstrous' conveys Marx's recurring argument that quantitative, empirically verifiable changes in society become qualitative ones. The manner of capitalist production not only increases the number of commodities, it also fundamentally makes this growth of commodities frightening, not least because the way that commodities are used in capitalist societies has disturbing effects on human life, even beyond the immediate realm of labourers. Within capitalism, commodities appear like monsters, as Marx explains, because they seem to be supernaturally more powerful than humans, partially as a result of the dehumanizing work conditions that capitalism always creates. Throughout *Capital*, Marx uses the language of Gothic horror – vampires, werewolves, dripping blood – to describe capitalism's human costs. Even within *Capital*'s first words, Marx inscribes his ethical outrage at the moral hell that capitalism has unleashed on our life world.

After this opening, Marx says that we must begin our study of capitalism with 'an analysis of the commodity' as its 'elementary' or most basic unit. What is a commodity? A commodity is an outside object, 'a thing which through its qualities satisfies human needs of whatever kind. The nature of these needs, whether they arise, for example, from the stomach, or the imagination, makes no difference' (125). These needs might be physical and necessary for basic survival (like food) or 'fanciful' (like the desire for pornography). Marx is not interested here in evaluating different kinds of wants. Both vegetables and pornography are 'useful' in the sense that we consume them to satisfy a personal need, be it digestive or erotic. Instead of differentiating between 'good' and 'bad' commodities, Marx says that every useful object can instead be looked at from the viewpoints of 'quality and quantity'. These two factors of material qualities and abstract quantities indicate two different kinds of 'value' that Marx will shortly define as *use-value* and *exchange-value*.

An object can be useful in multiple ways. A shoe might be used to protect feet or it might excite a foot fetishist. The qualitative ways in which these uses alter throughout time is a topic for (cultural) historians, who might want to know why one age prefers wearing boots rather than shoes, for instance. Marx's focus here instead treats how measuring the *quantities* of these objects changes, for this will unravel the nature of capitalism. In short, he will study the history of the production of exchange-values, not use-values, since capitalist societies are ones defined by their search for and production of quantified exchange-values.

Because an object's use-value depends on its material qualities, its 'physical body' (126), an object can be more or less useful depending on how well its natural properties satisfy our needs. If we want to keep warm on a winter's night, a wool coat is more useful than a nylon one, but if we want to keep dry on a wet summer one, then a nylon windbreaker is more useful than a heavy winter jacket that weighs us down because its wool absorbs water. Because 'the usefulness of a thing makes it a use-value', an object's utility can only be 'realized in the use or in consumption'

(126), rather than as an abstract number. We might decide to rate a coat's relative comfort on a scale of 1 to 10, but we would recognize the relative arbitrariness, if not silliness, of these numbers. Furthermore, a coat is useful only when we actually wear it; we cannot make the quality of warmth real to us ('realizable') if it sits on the shelf. So use-value comes from using an object. Yet while an object's 'material wealth' – its material softness, warmth, etc. – determines its usefulness (what Marx calls its utility), 'in the form of society to be considered here' (i.e. a capitalist one), commodities 'are also the material bearers of . . . exchange-value' (126).

Exchange-value is harder to perceive and experience than use-value because it depends on intangible, numerical (quantitative) aspects, involving how much it can be traded for in exchange for other commodities. We can realize a commodity's use-value by personally consuming it, but its 'exchange-value' appears only when we try to sell it and see if anyone else will pay to use or consume it. Until someone else agrees to buy an object, it does not really have an exchange-value. We might collect old comic books, which might have a use-value to us, even if only a sentimental or nostalgic one. The comics might also have an exchange-value, but we do not know how much or little that may be until we try putting them up for sale or watch what happens when someone else does so.

Because a commodity's exchange-value is not determined by human satisfaction, it only emerges in the market place. An ornately carved chair and a rough stool might have, more or less, the same use-value, the usefulness of lifting us off the ground, but when selling the two, we discover that the delicately crafted chair has a greater exchange-value. We cannot know that one chair has a larger exchange-value by sitting on it; this information emerges only when the two chairs are brought to the market to be sold. Exchange-value, thus, is registered in the absence of sensuous satisfaction; it is an 'abstract' feature and as such requires an imaginary standard of measurement. This lack of personal immediacy makes exchange-value a feature that seems to be both outside of the object, as it refers to this standard, and within it, given that it does not relate to human utility.

There is a contradiction here. How can an object's exchange-value be simultaneously extrinsic and relative, since it depends on the 'accident' of how much others might pay us for it in the market, and yet seemingly intrinsic, or belonging to the chair, given that it has a quality that does not depend on human needs for use?

Before we try to solve this riddle, notice how Marx constructs his arguments. He frequently pursues a question until it seems to reach a contradiction. At this point, he uses this paradox to carry his exploration further. It often seems as if Marx assumes that finding a contradiction means that he is coming closer to the point where a solution can be found, rather than a sign that his argument has gone wrong and come to a dead end. He looks for contradictions because he thinks that these will discover the weak point in our understanding, the terms that need revising because their current use has become untenable. When Marx's commentators talk about his 'dialectical' style of argument, they mean how he looks for paradoxes to redefine his terms and argument. The search for contradictions between two elements that reshape an initial problem consistently features in *Capital* as the logic that structures the flow of Marx's argument. Marx often seems to zigzag back to alter earlier points to show how our initial perceptions can be refined in light of later realizations.

To return to our discussion, the outside/inside problem can be answered by recognizing that exchange-value depends on our ability to find something that both characterizes the commodity apart from our use of it and acts as a means for it to be equated with other commodities. If I have corn and want to trade it for iron, to satisfy my need for raw material to forge a plough, how much corn do I need to offer in return for a certain amount of iron? Because corn and iron are materially different substances and have very different use-values, there needs to be something against which they can be compared, or made equivalent, so that I know to trade my corn's exchange-value for a proper amount of the iron's exchange-value. This standard of measure 'cannot be a geometrical, physical, chemical or other natural property of the commodities' (127), because these material features belong to an object's use-value, and we need something intangible, something different from a commodity's useful, physical substance, to determine its exchange-value. An 'exchange-value cannot be anything other than the mode of expression, the "form of appearance", of a content distinguishable from it' (127). This 'appearance-form' is 'characterized precisely by its abstraction', it is a conceptual (or 'idealized') aspect that belongs neither to the commodity's natural properties, nor to its use-value to humans. Unlike use-value, which has a tangible effect, exchange-value is simply a form of expression, a marker or sign for something else, which does not belong to the commodity's physical nature. For instance, a numeral like the number '5' does not have any use-value, it does not have any concrete 'fiveness'. 'Fiveness' belongs to the collection of five actual objects, let's say apples. The number '5' is only a conceptual device, an abstract marker that erases the concrete differences between the individual apples, such as their particular shape, colour, or taste.

Just as written numerals are used to relate numbers to one another and then process them in equations – we add, subtract, multiply, or divide numbers – similarly, exchange-values, unlike use-values, exist to facilitate the process of transfers – the market place's exchange. Once we have consumed an object, we have 'used' it up, and it stops having a use-value because it literally no longer exists. But a commodity's exchange-value has a 'phantom-like objectivity' (128) that hovers alongside the object as it passes from hand to hand in different exchanges, much like a ghost gliding next to human bodies. What creates this spectral effect of a commodity's exchange-value?

If exchange-value does 'not contain an atom of use-value', and use-value depends on the object's material presence, then 'only one property remains' outside of the object's physical features: the human labour that has been put into making an object. An object has exchange-value 'only because human labour is objectified or materialized in it' (129). The source of all value is human labour.

When we make an object, we transfer the energy from our activity (what Marx calls our 'unrest') into a fixed object. This is to say that labour-created value has been 'objectified' when it moves from an impermanent, human subject to a fixed, material object, much as when the energy of flowing water congeals to form a static cube of ice. This displaced labour is the latent force that generates the commodity's use- and exchange-values. Human labour works on nature to make it useful, as when a carpenter planes wood to make a chair. The labour that the carpenter invests in making the chair also gives it an exchange-value that is accidental and relative, since not every substance will get the carpenter's interest, as well as seemingly intrinsic to the chair, because our senses cannot register the work that has gone into the chair. We can feel the chair's smooth texture, but not the labour that went into producing this sensation. Exchange-value is ghostly because it is the incorporeal residue of labour that is always connected to an object, even though it cannot be grasped, smelt, or otherwise registered by our senses. For this reason, exchange-value has to be given a 'form' or medium which it can inhabit to make it 'appear' to us, just as a cartoonist will throw a bedsheet over a ghost to make it visible.

The claim that human labour is the 'substance' of value is known, unsurprisingly, as the 'labour theory of value', and it is absolutely basic to Marx's argument in *Capital*. Whenever you become uncertain as to what Marx is arguing in a passage, keep this claim as your lodestone.

If human labour is the 'value-forming substance', it can be numerically measured by the amount of labour-time spent on making an object. The *magnitude* (or size) of any object's value is simply a representation of 'the labour-time socially necessary for its production' (129).

If the quantity of human labour determines the degree of a commodity's value, does an object become more valuable if a lazy person spends a longer time making a chair than a more industrious one? No. 'What exclusively determines the magnitude of the value of an article is therefore the amount of labour socially necessary, or the labour-time socially necessary for its production' (129).

Marx says that he is concerned only with the 'socially average' amount of time required to produce a commodity 'under the conditions of production normal for a given society and with the average degree of skill and intensity prevalent in that society' (129). If a commodity can be generally made in one hour, then the value I spend on making it is equal to one hour, even if I personally take longer to make it. This average is not based on an individual's qualities, but is an abstraction, an average quantity of many workers.

Here we are beginning to perceive another difference between use-value and exchange-value. A commodity's usefulness is generally determined in a non-numerical way, based on our needs, which are difficult to quantify, especially as they are often highly idiosyncratic. As the calculation of a commodity's exchange-value is based on the average amount of labour-time that it takes to make it, this social average ignores individual skills and differences to treat human labour as an abstraction, a force that can almost be considered separate from humans themselves. Exchange-value depersonalizes human energy and creativity as it relies on inanimate numbers.

A commodity's value changes (or is 'relative') due to a number of factors: the average skill level of workers, the technical sophistication of the equipment used to make a commodity, the social organization of the work process, its efficiency, and the prevalence of raw materials in nature. Here Marx foreshadows a point he will later take up in Chapter 15, 'Machinery and Large-Scale Industry', when he says that new technologies can cheapen a commodity and lower its value as they reduce the average amount of time spent to make something. A handloom weaver might be very fast, but the introduction of a machine-driven power loom radically changes the average time needed to make a piece of clothing. This reduction of the time diminishes its value and consequently the cost of the labour necessary to make the commodity. 'The value of a commodity' thus varies inversely with the productivity of labour, or the amount of time necessary to produce the commodity. The less labour-time it takes to make a commodity, the less value that commodity has contained ('crystallized') within it.

Natural seasons or disasters can also change a commodity's exchange-value. A bushel of corn picked when corn is in season has less value than one picked out of season, because the prevalence of corn makes it easier to find and harvest a bushel. Diamonds are valuable because they are difficult to find and require a tremendous amount of labour to mine, not because of any received sense of their beauty. If it were easy to create diamonds through some new scientific process, such as by 'transforming carbon into diamonds' without 'much labour', then 'their value might fall below that of bricks' (130–1). We might find that diamonds suddenly 'look' less pretty or 'cheaper' to us (as we often say about zirconium substitutes) if they require less work to produce. This may suggest that our aesthetic appreciation is a feature of human productivity rather than of any 'natural beauty'.

We now know that the *substance* of value is labour and *the measure of its magnitude* is labour-time. Yet if these are our working definitions, what really differentiates use-value from exchange-value? Surely both require labour? To overcome this problem, Marx argues that we still need to define the *form* through which abstract labour gets expressed in order to perceive exchange-value's difference from use-value.

To do this, Marx revises his earlier definition of a commodity. Previously he had defined the source of a commodity's use-value as its combination of natural materials and labour. Marx now separates these and explains that 'a thing can be a use-value without being a value' (131). We might find nature useful to us as it provides life-sustaining light, water, and unplanted, food-bearing meadows and forests. Yet because no human labour went into providing these useful objects, they have no labour-created 'value'. (Today we might argue that because our ecology is subjected to human labour, such as when water becomes purified, nature does indeed have a labour-inflected value. But for the purposes of his argument, Marx adopts the more basic claim here that nature provides certain of its resources freely.)

Additionally, a person who produces objects that satisfy her or his own interests, but are not useful to others, does not create 'social use-values'. I might spend a lot of time and effort making a ball out of rubber bands, but this probably only satisfies my own amusement needs, not anyone else's. 'If a thing is useless [to someone other than its creator], so is the labour contained in it; the labour does not count as labour, and therefore has no value' (131). Consequently, 'nothing can be a value without being an object of utility' (131). A commodity must have a social, not personal, use-value for it then to have an exchange-value.

Yet by revising his definition of a commodity to be an object created to satisfy another's use needs through the act of exchange, Marx seems to be further confusing matters by introducing a chicken-and-egg contradiction. He insists that an object's 'social' exchangeability must exist before it can be considered as having a use-value, even while a commodity's use-value must precede its exchange (there's no point in trying to sell something useless). Realizing the muddle that he seems to have created, Marx knows that he must find another way to differentiate use-value from exchange-value. If there are two kinds of value, both of which come from the same source (labour), then there must be a way to differentiate between two kinds of labour, each leading, as the next section's title indicates, to a different kind of value. Before we see what is the dual character of labour embodied in commodities, notice how Marx's argument has shifted. He has moved us from looking at what first appeared to be the basic unit of capitalism, the consumed commodity, and made us more aware of human labour as the underlying ('elemental') source of a commodity's value.

Section 2. The Dual Character of the Labour Embodied in Commodities

We initially saw that a commodity has a twofold character of value, its use-value and its exchange-value. We can now recognize that the labour going into the commodity's production also has a dual character, since the labour for use-value is not recognized in the same way as the labour for exchange-value.

Because use-values are qualitative effects, two similarly usable objects cannot be immediately exchanged as commodities. A coat has a use-value; it satisfies a particular want: our need to keep warm. If we only consider use-values, it would be silly to exchange one coat for another, since at the level of needs, we just want to have any coat that keeps us warm, assuming that all the coats are more or less the same. Objects only become tradable commodities when they satisfy entirely different needs.

Linen, for example, is a commodity that can be used to satisfy various kinds of use; it might be made into a man's coat or a woman's dress. Because different uses can emerge from the same material, there are different kinds of useful labour that can be performed on that material; the labour of a tailor to make a coat is unlike that of a dressmaker. If exchange depends on the trading of different objects to satisfy different needs, there has to be an underlying 'social division of labour' (132) that separates the production of a coat from that of a dress, to continue with our example.

Yet while a 'division of labour is a necessary condition for commodity production', Marx cautions that merely because a division of labour exists, it does not necessarily mean that 'commodities' are produced. 'Simple' village communities might divide labour roles between the women, who cook and sew, and the men, who hunt and gather. In this cohesive unit, all the women and men have a shared need for food and clothing. The community has merely divided labour tasks in order to facilitate everyone's use of the produced objects. Without this separation of use needs, there is no need for the goods to be exchanged through a market place that requires exchange-value's quantitative medium. An object becomes a commodity only when one coherent group (or individual) produces objects to exchange with an extramural coherent group (or individual), where these players, unlike and somewhat isolated from each other, have heterogeneous needs that have to be satisfied. The division of labour in a village between men and women does not create a market for trade between buyers and sellers who only know that the other has something to exchange, not what use needs they must have that compel them to exchange. The men and the women redistribute the food and clothing that each has made directly, without consideration of the labour that went into each occupation, because they recognize their interdependence and that everyone in the group needs these useful objects regardless of the time necessary to make them.

Exchange-value thus arises from increased social complexity and relative loss of shared relationships, which are replaced by a connection to an increasingly anonymous, impersonal mediating sphere, the market place. As groups increasingly relate directly to the market and only indirectly to other groups, this dislocation results in the increased focus on exchange-value as the 'form' of value that allows them to trade dissimilar objects in order to satisfy dissimilar use needs.

Before we move on, it is important to note that Marx does not condemn commodity production, in the sense of creating an object that is traded to satisfy someone else's needs and in return for an object that satisfies the needs of the producers. Indeed, he thinks that such a chain of production and consumption is 'a condition of human existence which is independent of all forms of society; it is an eternal natural necessity' (133). Once we have moved beyond very basic, self-sufficient village groups, commodity production is the human condition.

Marx introduces the consideration of social exchange not to criticize it in general, but as the key to understanding what happens within capitalist societies. He takes us from 'the commodity as an object of utility to the value of commodities' (134) because capitalism is defined by its constant, if not obsessive, production of commodities to accumulate exchange-values, rather than to satisfy use-values. The notion that commodities have dual values, a use-value and an exchange-value, forms a large part of Marx's difference from Smith, who defines market-place activity as the flows of mutually satisfying trade, the transfer of utility between buyer and seller. Marx argues that while these kinds of mutually satisfying reciprocal trades of use-value can occur, they are not the *dominant* form of trade in capitalist societies, which look to the transfer of exchange-values. Therefore, Smith's overly idealized and somewhat mythical image of the market is wholly insufficient for understanding the modern world.

Notice that within his discussion about the division of labour, Marx has once more shifted his definition of a commodity to being something that can be written as

commodity = use-value + exchange-value.

If labour is the substance of value, then both use-value and exchange-value are derived from labour that has been objectified in commodities. Yet every commodity's use-value emerges from 'productive activity of a definite kind, carried on with a definite aim' (132–3), like making a coat to keep someone else warm. A seller of commodities is solely concerned with the commodity's exchange-value, which can only be measured by the labour-time required to produce it. Two commodities of different qualities and use-values can be exchanged through an expression of the labour-time that went into making them, as the magnitude of one commodity's value is numerically compared to that of the other's. In this shift of focus from use-value to exchange-value, we moved from 'the "how" and the "what" of labour' to 'the "how much", . . . the temporal duration of labour' (136).

Marx here momentarily delays his discussion to address a hypothetical concern about using labour-time as the standard. For surely some types of workers' time are more valuable than others. For instance, an hour of a surgeon's labour costs more than an hour of a manual labourer, but only because more labour (i.e. training time) went into educating the surgeon, paying for the support staff aiding her or him, and creating the equipment that she or he uses. Because Marx wants here to simplify an already complex matter for his readers, he temporarily puts aside the question of skilled versus unskilled labour and will 'henceforth view every form of labour-power . . . as simple labour-power' (135) and assume the 'simple average of labour' (135) in his considerations. He later returns to the matter of training elite workers, since access to education will be an important site of struggle between labourers and capitalists. In any case, because the

> various proportions in which different kinds of labour are reduced to simple labour as their unit of measurement are established by a social process that goes on behind the backs of the producers, these proportions therefore appear to the producers to have been handed down by tradition. (135)

While Marx does not explore here how certain jobs get more valued than others, he emphasizes that we often fail to recognize that these evaluations are historically determined rather than the way things have always been.

After this digression, Marx returns to the separation of use-value from exchange-value. The social division of labour means that labour, as the source of value, must have a similar duality that corresponds to the commodity's twofold nature. Useful labour involves work that creates use-values. The other aspect of labour is what we might momentarily call exchangeable labour (Marx does not provide this term, but we can imply it from the paralleling structure of his argument), which is labour that creates exchange-value; it is the excess labour designed to be exchanged through a formal medium used to represent abstract labour (labour that is not used to satisfy concrete human needs). Marx, in a later footnote, draws on a distinction that the English language provides to help characterize the difference. 'Labour which creates use-values and is qualitatively determined is called "work" as opposed to "labour"; labour which creates value and is measured quantitatively is called "labour", as opposed to "work"' (138).

The presence of (exchange-)labour highlights the three aspects of value. Two of these – the substance of value (labour) and the magnitude of value (labour-time) – we already recognize as present in both use-value and exchange-value. The difference between these two kinds of value lies with their forms. The form of use-value is the physical quality of the commodity. The form of exchange-value is a 'non-useful' form, within which labour is expressed. Marx turns to explore the nature of this value-form in the next section.

Before moving on, we should recognize that Marx has silently, but significantly, begun to make a distinction that he continues to make from this point on throughout the volume. Having said that use-values cannot be quantified, since they are by definition qualitative factors, Marx increasingly drops use-values out of the discussion. From here on, when he uses the word 'value', he really means exchange-value and when he wants to refer to use-value, he often instead writes 'material wealth' (136) to highlight the material aspect of use, rather than the abstract feature of exchange.

It might also be useful to chart some of Marx's oppositions.

Quality	Quantity
Use-value	Exchange-value
Concrete, sensuous	Abstract, numerical
Natural-form	Value-form (138), Commodity-value (128)
Worth	Value (126)
Material wealth	Magnitude of value (136–7)
Work	Labour (more properly, labour-power) (138)

Section 3. The Value-Form, or Exchange-Value

Marx begins this section on the form of value with another contradiction. Commodities are originally created to satisfy use-values, but they can only be defined as commodities within exchange, where they have a dual nature as 'objects of utility and bearers of [exchange-]value' (138). Since exchange-value has nothing to do with usefulness, Marx argues that commodities have an 'objective character' when they are not considered in terms of human (subjective) satisfaction. In order for us to evaluate the objective form of different kinds of commodities, we need a means of comparing them through an expression of 'an identical social substance' (138).

We already know that this social substance is labour, but we do not yet know the form in which it will appear within the market place. Here Marx explains that this ‘common value-form’ is money. Money is the form through which human labour is quantified. In this section, Marx shows the process that led to the emergence of the money-form as a means of relating ‘the values of two commodities’. In what feels like an overly technical discussion, he traces four historical forms of value, because he wants us to see economic forms as transformable historical developments so that we do not assume that the currently dominant form is the only one possible.

The first form of value is ‘the simple, isolated, or accidental form of value’ (139). This form is close to barter, or direct exchange, as one commodity is simply judged to be equal to a certain amount of another: e.g. 1 coat is worth 2 bolts of linen. This kind of trading makes one commodity (the coat) ‘relative’ or dependent on the ‘equivalent’ form of another (linen). A fixed amount of linen is taken to have the same value as a relative number of coats.

For Marx, using one commodity to be the standard of equivalence to another is problematic in two ways. Firstly, the ‘relative’ form (of notation) masks actual differences (of use and its underlying divisions of labour) between commodities through what may appear to be similarities. Here Marx draws on an example from organic chemistry. In chemistry, one substance might have a certain ratio of common elements, let us say 4 carbon to 8 hydrogen to 2 oxygen atoms. Yet the number of elements within a compound does not determine the effect created by their configuration. Both butyric acid and propyl formate (141) can be written in the same way – $C_4H_8O_2$ – so as to make them seem 'relatively' equal, but in reality they act very differently, because the shape of their 'physical formation' makes them very unlike each other.

Marx uses the scientific metaphor to suggest that using one commodity 'accidentally' to judge another is too imprecise and slippery. Our assumption that 1 coat = 20 yards of cotton is ruined if the value of either of these commodities changes. If there is a poor crop, then it takes more time and labour to get the material to make 20 yards of cotton, meaning that as the value of the cotton increases, then one coat will be traded for less of it. Since the ratio between these commodities can be altered so easily, the equation does not function as well as a long-lasting standard. We have not really got to the source of how commodities are made abstract and equal to one another. So rather than think of cotton and coats 'relatively', we need to find some 'equivalent' that both cotton and coats can be compared to, something more stable that can represent value over time.

The second, and more important, problem with the simple form of value is that if we say that 'commodities are simply congealed quantities of human labour' (141), we entirely reduce them to an 'abstract value'. It would be wrong to make one commodity the standard on which all others are judged, since commodities do have natural, physical forms that satisfy use needs. We could make a mass of sugar the equivalent to which all other commodities are compared, but this would be to forget that sugar is also desirable because we like to use it to sweeten our food. Because sugar has a real use in satisfying certain desires, its exchange-value will vanish if we suddenly decided to consume its use-value by eating it. We cannot ignore the fact that the use-value of certain commodities overwhelms any attempt to make them function as purely abstract forms.

For a commodity to be the 'mirror of value' (150), it must be able to express the abstract quality of human labour, not its material utility. The equivalent form must be a 'social form' that simultaneously transfers value and 'conceals a social relation' (149) involving the division of labour that produces objects. Therefore, an ideal form of exchange-value needs to reduce its utility to as little as possible, otherwise it cannot act as a stable form of equivalence.

Marx summarizes the contradiction between the forms of (exchange-)value and use-value in this way:

> Human labour-power in its fluid state, or human labour, creates value, but is not itself value. It becomes value in its coagulated state, in objective form. The value of the linen as a congealed mass of human labour can be expressed only as an 'objectivity', a thing which is materially different from the linen and yet common to the linen and all other commodities. (142)

What does he mean when he says that human labour-power creates value, but is not value?

One way to think about this riddle would be to replace the word 'value' with something like 'electricity'. Think for a moment about electricity. We know that electrical power can be made using human labour, by burning coal to make steam, for instance; but we cannot really 'hold on' to electricity or recognize its power unless it is made to do something 'through' an object. We only really know that an outlet provides so many volts, and that when we connect it to an appliance that requires a certain amount of energy to operate, it then runs. Electricity provides a use for us, but only if it goes through a medium that calibrates its power between the outlet and the appliance. Similarly, electrical power does not have a 'natural' look to it (what's the colour or texture of electricity?), so we have to make an abstract sign to represent it, often a jagged line with an arrow that looks like a lightning bolt. Using electricity as our example, we can say that while humans create its power, this power can only be recognized at the moment when it works within the form of a non-human object (this is what Marx means when he says value is congealed into a commodity).

Because value is more easily recognizable when it is 'within' the circuit of commodity exchanges, it appears to 'matter' more in that context than when it is outside of exchange (as when it is consumed to satisfy a use or need). Marx uses a helpful metaphor to convey how we often mistake a symbolic form, rather than human relations, as the origin of social energies and values. He makes the point that some men are considered superior to others when they are wearing a general's uniform. We recognize one man as greater in importance when he is wrapped (or, to use Marx's words, 'congealed') within clothes that symbolize power. In this way, the military uniform is a 'bearer of value' (143), even when it has not actually created that value. Human society has created value when it has promoted one man over others and decided that a general should be saluted. The uniform does not actually make a general more important, society does; the coat is only a medium that 'bears' or presents value in an objective form. The value of hierarchy resides in the social institution that decides who gets to wear the uniform legitimately, not simply with the wearing of the uniform. Yet while the military uniform by itself does not make the general more important, the general also needs the uniform so that he can be seen to have greater authority than a private or a civilian. The coat carries value that it does not make; yet this value cannot be expressed without the coat. In modern armies, this point is emphasized as both officers and enlisted soldiers wear the same uniform. A general's coat is not warmer or more durable than a private's. The differences between the uniforms do not lie in their relative use-value, but only in their non-useful insignia, which indicate the wearers' ranks and allow us to compare their 'value-relations' against one another.

Marx now makes what seems to be a tangential comment about the relationship between ideas and social formation, as he claims that the dominant mode of production in every society makes certain intellectual realizations more or less likely. Marx argues that while Aristotle was able to recognize that exchange must have equivalences, he was not able to perceive that these equivalences are based on human labour, because he lived in a society that relied mainly on slave labour. Because Athenian society did not consider all humans as equal, they could not recognize that human labour is the standard of value. Aristotle could not resolve the problem of the twofold nature of the commodity and labour, since he lived in an age that did not provide the social conditions of experience necessary to solve the problem. The 'historical limitation inherent in the society in which he lived prevented him from finding out what "in reality" this relation of equality consisted of' (152).

The significance of Marx's claim that we reach our limits of cognition based on the dominant forms of the society in which we live is twofold. Firstly, Marx implies that it is very difficult to analyse society until we can look back on its operations. Marx was able to critique capitalist activity only because capitalism had already become dominant in modern society. Secondly, the political significance of the claim that thought is conditioned by the historical conditions of its subjects suggests that it will only be possible to understand the problems of a post-capitalist society, a communist one, when that kind of society has emerged. For this reason, perhaps, Marx actually spent little time writing about the details of how a communist society would operate, even though he expected one to arise. Rather than engaging in utopian speculations, the best we can do is to sharpen our clarity as to what defines the features of our current moment, so that we will know what needs to be changed.

After this comment on the historicity of perception, Marx now returns to his main argument on value to confess that when he earlier said that a commodity 'is both a use-value and an exchange-value . . . this was, strictly speaking, wrong' (152). A commodity is an exchanged object of utility (with a use-value) and it has a 'value' (an exchange-value), but only when this value is represented through an abstract representation that is 'distinct from its natural form' and 'in a value-relation or an exchange relation with a second commodity of a different kind' (152). A commodity manifests its exchange-value only when there is a form that can represent or express it against another commodity.

For Marx, this was the mistake that earlier economists made. Both the eighteenth-century Mercantilists, who felt that states ought to hoard gold and raise tariffs, and their opponents, the advocates of free trade, believed in the 'quantitative side of the relative form of value', by which he means that they mistakenly took the 'daily list of prices current on the Stock Exchange' (153) actually to *be* value, rather than simply to *represent* the value created by human labour. They considered the market place to be a sphere of exchange that trades values, rather than a sphere that trades in the *signs of value*, a notation of labour that is transferred into an object.

The problem with the simple form of value is that by making one commodity relative to another, we make one commodity represent use-value (since that is what makes it valuable in the first place) and the other represent exchange-value (as it stands in relation to the other commodity). This is illogical: these two different modes of operation cannot 'speak' to one another, since use-values lack the form of expression that exchange-values have. One commodity's exchange-value makes sense only when expressed in the form of another exchange-value. There is a relationship between use-value and exchange-value, but it cannot be understood with the 'simple form of value' (153), which is just a starting point, an 'embryonic form that must undergo a series of metamorphoses before it can ripen into the price-form' (154). The next step of the sequence is trying to find a solution which will be the turn to the 'total or expanded form of value' (154).

The expanded form of value is the logical consequence of the simple form's equation of one commodity with another. Once we have made one commodity act relative to another, then there is no reason why this process cannot be expanded by adding more relations. For instance, if a certain amount of cotton equals a certain number of coats, then we can add onto this equation by saying that a certain amount of tea equals that magnitude of cotton or coats. If we do so, then we see how commodities can become increasingly compared with many other commodities, as they become 'citizens' of the 'whole world of commodities' (155).

The 'defects' of the expanded form of value are threefold. Firstly, it never expresses the source of value, since it creates an endless series of equivalences; the series of comparisons could be extended without end. 'The chain, of which each equation of value is a link, is liable at any moment to be lengthened by newly created commodities, which will provide the material for a fresh expression of value' (157). By linking too many different kinds of commodities to each other, the chain might wrap around to close into a circle, like a snake swallowing its own tail. If everything becomes equivalent to everything else, we will be unable to find the origin of value.

We might try to get out of this infinite loop by choosing one commodity to be the absolute equivalent to others, for instance, by making every commodity relative to a certain amount of linen. Marx calls this third form the 'general form of value' because one commodity is 'common to all' others (hence it is the general form). Yet Marx sees it as returning to the simple form of value described above, only to repeat the same problem over again, except this time with more commodities. Additionally, it takes one specific kind of labour as the equivalent for all others. If everything is compared to linen, then the weaver's labour is made to be the standard for everything else. This is unsatisfactory because as technology changes the labour-time of weaving, it cannot really operate as the permanent standard of value.

Nonetheless, Marx does see the general form as leading ultimately to the money-form, where one commodity, often gold, becomes the equivalent to other commodities in the form of money. Although gold or silver can have a use-value, as money it is almost wholly used to represent numeric value. Once we see money as the last stage of the development through the simple or accidental, the expanded, and then the general forms, we have solved the problem of how use-value and exchange-value can be connected and expressed, and yet remain separate aspects. Labour creates both use- and exchange-values. Yet the form of use-value lies with its material effects (its usefulness). The form of exchange-value is the money-form's abstract device of equating commodities to each other. This means that we can now rewrite the equation

$$\text{commodity} = \text{use-value} + \text{exchange-value}$$

as

$$\text{commodity} = \text{use-value} + \text{money}.$$

From the perspective of a capitalist, who is interested only in the *form* of value (exchange-value), rather than its *substance* (use-value), the equation appears to be simply

$$\text{commodity} = \text{money},$$

where money lists the commodity's *price*. Having suggested that money is how commodities are 'seen' in capitalist societies, Marx turns in the next section to reviewing the social and cultural implications of commodities' appearance within capitalist societies. Recall *Capital*'s opening lines, since Marx will now explain why commodities seem monstrous in capitalism.

Section 4. The Fetishism of the Commodity and its Secret

With its discussion of commodity fetishism, this section is one of *Capital*'s most frequently read in contemporary cultural studies, as it captures how we experience life in capitalist society, before coming to an awareness of its operations. Marx describes the social psychology that results when commodities are seen from the market place's vantage point of exchange. Returning to the spirit of this part's opening, Marx says that while a commodity is 'an extremely obvious, trivial thing . . . its analysis brings out that it is a very strange thing' (163). When we consider an object for its use-value, there's nothing 'mysterious' about it: we are often familiar with those with whom we trade and understand what needs the object serves, especially if there is a transparent division of labour. But when an object enters the sphere of exchange to become a commodity valued by money in the form of exchange-value, it appears increasingly magical and with a will of its own, like a dancing table or the animated dolls that cartoons often show. The commodity's mystical power, 'clearly, . . . arises from [its] form', but not its physical form, the way in which its material was shaped by labour (the substance of value). Instead, the aura comes from what Marx earlier said was 'the *form,* which stamps *value* as *exchange-value*' (131). Useful objects become commodities through a social division of labour, in which individuals make things in isolation and 'do not come into social contact until they exchange the products of labour' (165). Yet when the sphere of exchange 'mediates' society for us, then the market place's commodities become the only medium in which we see the result of all the accumulated divisions of labour and human relations of production and distribution. Because 'direct social relations between persons in their work' (166) disappear from our gaze in our attempt to understand the world, we are left to see only 'social relations between things' (166), relations which exist 'apart from and outside the producers' (165). Here we seem to have entered a weird world of living commodities, rather than a society of humans. In the world of commodities created for exchange-value, 'the mysterious character of the commodity-form consists therefore simply in the fact that the commodity represents the social characteristics of men's own labour as objective characteristics of the products of labour themselves, as the socio-natural properties of these things' (164–5).

Because commodities are traded as exchange-values, the ways human producers of commodities perceive their own work changes in ways corresponding to use- and exchange-values. Rather than understanding that our labour produces things that are desired to satisfy others' needs, we mainly see commodities within the terms of exchange-value's abstract money-form, and this makes it difficult to see the human source of value. '[Exchange-]value . . . does not have its description branded on its forehead; it rather transforms every product of labour into a social hieroglyphic' that humans must decipher. We approach commodities as if they were like a difficult-to-decode rune, wondering what absent force created them, since we are estranged from our own experience in doing so.

As capitalist commodity exchange alienates human subjects from our own sense of having created commodities, we encounter commodities only in terms of their exchange-value. Yet since this exchange-value is intangible, because we cannot use, eat, or wear it, we are led to believe that things have a life of their own that gives them value beyond whatever use humans might have for them. We mistakenly believe that the object has the power to make itself and communicate with other commodities through the language of prices. As 'sociable' subjects, commodities seem to be exchanging themselves in the market, while humans only seem to be the carriers or 'bearers' of value, like waiters bringing food to the table, not its producers or consumers. Marx characterizes this belief in the power of commodities, rather than human labour-power, as similar to the belief in fetishes, the objects worn close to or as symbolic substitutes for the body, which are believed to have an occult power over us. As we attribute a supernatural power or divine presence to the 'products of men's hands', as if these things could save us from danger or deliver happiness, commodity fetishism is our belief that commodities have power to make us, rather than the other way around. One example of this reversal might be when we believe that new clothing will make us seem sexy, because the clothes, rather than the person wearing them, are perceived to be the origin of sexual attractiveness. Rather than us enlivening the material, the material seems to lend its magic to us. As we become alienated from a sense of control over goods, the commodity instead seems to have become a supernatural force greater than humans. Commodities appear weird, ghostly, and monstrous to us because we sense the presence of the social energy (value) within the commodity, but do not recognize this power as objectified human labour. Our disconnection from the human source of value in the commodity makes it seem uncannily alien.

Commodity fetishism is not (strongly) present in all societies or at all moments in history; it only becomes dominant under the 'peculiar' form of labour relations under capitalism. Since the presence of exchange-value in a commodity comes about very early in human history, as soon as groups begin to trade with one another, and given that an effect of exchange-value is the ghostly form of abstracted labour, then why does Marx argue that the commodity fetish is a defining feature of capitalism? His answer is that a certain threshold has been crossed as capitalism becomes dominant and able to erase our swiftly vanishing sense of a commodity's original site of production. Traders have always cared about how much 'of some other product they get for their own; in what proportions can the products be exchanged?' Yet with the massive increase and repetition of trade, where 'these proportions [of prices] have attained a certain customary stability, they appear to result from the nature of the products' (167). As the price appears to be the true nature of a commodity, rather than its weight or colour, for instance, then it has become fetishized. Commodity fetishism is so common in capitalist societies because these are the ones that massively focus on market-place exchange in ways that vastly amplify commercial attitudes and make them seem to be the origin of value.

Marx then says something that is, on the surface, paradoxical. He argues that understanding '[exchange-]values' as 'merely the material expressions of the human labour expended to produce them . . . marks an epoch in the history of mankind's development, but by no means banishes' the effects of the division (167). Think back to his earlier comments on Aristotle. Understanding the effects of capitalist societies through an investigation into their fundamentals is a modern achievement, which is only possible now that capitalist practices have become easier to recognize, since they have become the main ones. It takes time to recognize the patterns of what might have initially seemed to be 'accidental and ever-fluctuating exchange relations'. The power of habit and repeated custom, however, makes us forget the historical difference of the current moment from the past, so that capitalist trade appears normal, like a 'regulative law of nature' (168), such as gravity. However, we can only comprehend social reality belatedly, or '*post festum*' (literally, 'after the party'). It is nearly impossible to perceive the emergence of new practices until after these have become familiar and seemingly the 'natural forms of social life' (168) or, as the saying goes, the way in which things have always been done. Once that has happened, we often do not try to analyse society as the result of the encounter between different social interests and classes, but turn instead to easier explanations like that of commodity fetishism, which presents the commodity as godlike and in control of human destiny.

Marx cautions us, though, against a new false pride in understanding the origin of the commodity fetish. Just because we understand how nature and society works, this does not mean that their effects spontaneously vanish. The 'scientific' discovery that air has certain chemical elements, like oxygen, has not changed the environment's physical configuration. Marx says that just because we understand aspects of capitalism, this does not mean that we have altered them; this underlines his rejection of idealist philosophy, the notion that the history of ideas changes social relations, rather than the reverse.

Recognizing the construction of social relations does, however, defamiliarize our commonsensical assumptions in ways that make them more open to critique as we turn around to see what took place behind our backs. Marx *had* to start his analysis with the appearance of commodities to see the twofold nature of value, the twofold nature of labour, and their relation to money. He chose not to start with money and prices, as classical political economists often do, because the market place's rise and fall of prices 'conceals the social character of private labour and the social relations between the individual workers, by making those relations appear as relations between material objects, instead of revealing them plainly' (169). As a form, money cannot illustrate the divisions of labour because its currency hides these from plain sight.

Furthermore, unlike what bourgeois economists would have us believe, modern relations of market commodities are not eternal truths, but only hold true for certain kinds of societies, that is to say, capitalist ones. 'Political economists are fond of Robinson Crusoe stories' (169) that celebrate an individual's hard work as the key to success. Marx thinks that this is a stupid, if not intentionally confusing example, since Crusoe does not exist within a world of commodities, let alone capitalist exchanges. Crusoe's labour in making objects for his own use on the island does not produce commodities, since he lives in a world of personal use-value and does not produce to trade with anyone else. 'His stock-book contains a catalogue of the useful objects he possesses, of various operations necessary for their production, and finally of the labour-time that specific quantities of these products have on average cost him' (170). Crusoe's objects have no exchange-value, even though they have use-value for him: he does not need to express value through an abstraction like money, since he knows how much labour and time he requires to make one object rather than another. Because there is no social division of labour, there is no exchange-value. And without exchange-value, there is no profit. And without profit, as we shall see, there is no capitalism. Lastly, Crusoe does not fetishize his commodities, because he knows where their power came from: his own labour, which he has transferred, or objectified, into a useful object.

The fetishism of commodities also did not exist in pre-capitalist societies like medieval Europe. This form of society did not have independent individuals like Crusoe, since everyone was caught up in relations of collective subordination and domination, serfs to lords, laity to the Church. Unlike the modern market, which makes producers and consumers anonymous to each other, early modern hierarchies were known and visible to all. Since 'relations of personal dependence form the social foundation' in feudalism, as the serf annually owes labour directly to the manor's lord, there is 'no need for labour and its products to assume a fantastic form different from their reality'. Even though there is a division of labour in feudalism, 'whatever we might think' about the hierarchical

> roles in which men confront each other in such a society, the social relations between individuals in the performance of their labour appear at all events as their own personal relations, and are not disguised as social relations between things, between the products of labour. (170)

What might a society without commodities look like? We would need to go back to 'the threshold of the history of all civilized peoples' to find 'the patriarchal rural industry of a peasant family which produces corn, cattle, yarn, linen and clothing for its own use' (171). While there might be division of labour, according to the family members' gender and age, these separations are not mediated through the exchange of commodities.

We could use this pastoral ideal to illustrate what a modern society that produces commodities, but without the supplement of commodity fetishism, might look like. This might be 'an association of free men, working with the means of production held in common, and expending their many different forms of labour-power in full self-awareness as one single social labour force' (171). Although Marx does not give a name to a society of interdependent labourers who might divide their tasks in transparent ways, but equally share in the ownership of the property, tools, and outcome of production, we can take this as his description of modern communism, rather than the earlier form of the idealized village mentioned above.

While the commodity-form 'makes its appearance at an early date' in Western history, it was not always the dominant form, since early modern trade relations often existed only in highly supervised pockets, usually limited to certain ethnic groups ('trading nations'), such as the Jews or Armenians, who were allowed to move between regions because they lacked their own nation-state. Today, however, we live in a world where it seems as if commodities belong to a nation of their own, a global market place complete with its own language. The globalized market is often presented in advertising as if its commodities have liberated themselves from the boringly local concerns of humans. As exchange-value becomes separated from use-value, it seems as if objects have needs of their own, which they satisfy by themselves in ways that divorce the representation of value from the 'social process' that created it.

Because the writers of 'political economy', the bourgeois defenders of the market, have 'incompletely' analysed labour as the source of value and labour-time as its measure, Marx argues that they have never asked about the historical origins of the current system, taking it to be an unquestioned advance over the past in the same way, Marx says, in which the Christian church sees pre-Christian religions as worthless. Within the mentality of bourgeois economists, modern society, with its division of labour, celebrates individual action outside of social constraints. This 'cult of abstract man' erases our collective relations, so that the idea of individuality becomes taken as the norm in a world that sees commodities as autonomous, outside of production, and only 'real' in the world of consumption (exchange). Marx later suggests that contemporary society fetishizes individuality in the same way as it fetishizes commodities; but, for now, just keep in mind how he relates economic practices to social formations.

Marx began this chapter by starting out with what seems obvious, the production of commodities, but through his discussion of the twofold nature of the commodity, he ends it by showing the 'secret' of the commodity: it appears to be powerful, but only because its human origins of value-production have been obscured. In the next chapter, Marx further pursues this argument as he turns to discuss the money-form.

Chapter 2. The Process of Exchange

This short chapter bridges the prior one on commodities and the following one on money as it reviews some themes that Marx has already introduced and propels them forward.

Marx reminds us that commodities cannot get up on their own legs, go to the market place, and exchange themselves. Only humans, 'the possessors of commodities', can do these things (178). In the market place, though, we approach others disguised as 'personifications of economic relations' (in the abstract roles of buyer and seller), rather than as actual humans embedded within economic relations, who exchange through the medium, or mediation, of a formal device like a contract.

While it might seem that trade simply involves the handing over of one commodity in exchange for another, in reality a new, intermediate, form of value emerges, the money-form, as a universal equivalent that allows for commodities to be exchanged. 'Money necessarily crystallizes out of the process of exchange' (181) because when commodities have exchanged hands, money remains ready to be used again for another trade.

As commodities are converted into an external standard, money, the products of labour undergo an 'alienation' (182) as they are now compared to something outside of themselves. In this sense, alienation means to cut something away from the whole, as a commodity's use-value is now divided and cast off from its exchange-value. In another sense, the word 'alienation' is also meant to suggest how commodities appear like 'alien' creatures once they are considered only in terms of their abstract exchange-value, rather than their use-value for humans.

Marx again repeats that this 'quantitative exchange-relation' historically first appears when different groups come to trade with one another at the borders between communities. In trade's early phases both the prices for goods and the first objects used for money seem to have been 'a matter of accident'. Initially, the items used as money were ones that came from outside the trading group, but were considered important (like cowry shells), or local items that had a high use-value and could be moved between people, 'for example cattle' (183). Because of their frequent contact with foreign groups, nomadic peoples were the first to develop the notion of money. Since highly mobile groups had to use something that was easily transportable, land was never considered to be exchangeable. Only with a highly developed bourgeois society, initially in the late 1600s and only on a large scale in the late eighteenth century during the French revolution, would property begin to be marketable. Before then, land was considered as fixed to noble lineages or ethnic communities; it was transferred only through marriage compacts, rather than commodity contracts.

As exchange becomes more prevalent, precious metals, like gold and silver, begin to be used as money because of their recognized uniform quality and ability to be 'divided at will' (184). Here Marx cautions against the notion that money is only a symbol, and could thus be replaced by other notations, like intangible credit. He mentions this not because the idea that a symbol can function as money is wrong (it is not, as we shall later see), but because at this point in his argument he wants to resist the notion that 'these characteristics are the arbitrary product of human reflection' (186), or that money, as well as all other human conventions, is simply a non-material matter of names, as Enlightenment philosophers tried to assert. The problem with moving too quickly to an argument about money as a symbolic form is that it ignores the historical process through which the modern form came about as well as money's linkage to the production of value in labour.

Furthermore, it leads to what Marx calls the 'money fetish', where 'relations of production therefore assume a material shape [as money] which is independent of their control and their conscious individual action' (187). A belief in 'the magic of money', as a commodity that can generate value by itself, is like the commodity fetish. How is it that money seems to contain value? This is the question Marx turns to in the next chapter.

Chapter 3. Money, or the Circulation of Commodities

Section 1. The Measure of Values

In the first section of this chapter, Marx defines money 'as a measure of value' which is 'the necessary form of appearance of the measure of value which is immanent in commodities, namely labour-time' (188). In this role, money standardizes different commodities in order to expand the domain of what can be traded. If we say that 20 yards of linen costs 12 pounds, and 1 coat costs 12 pounds, then 20 yards of linen ought to be traded for 1 coat. Here money does not actually carry any value within itself, all that it does is act as a convention to signify value in transit. Gold or silver, or any other material form of money, does have a use-value when it is used as a commodity to satisfy use needs, for example, as jewellery. But when these metals function as money, they are only 'imaginary or ideal' means of representing value and are considered to be use-less in the sense of only existing to act as a form for exchange-value.

Money expresses a commodity's value as its price. 'Price is the money-name of the labour objectified in a commodity' (195–6). Money, therefore, also functions as the 'standard for price' in addition to operating as a measure of value. A commodity's *price* (how much it costs, its quantitative number), is often confused with its *value* (the amount of labour-time it represents, its qualitative work), but these two functions are different. 'As measure of value, and as standard of price, money performs two quite different functions. It is the measure of value as the social incarnation of human labour; it is the standard of price as a quantity of metal with a fixed weight' (192). Historically, the names of money referred directly to this feature of weight, as 'the word pound . . . was the money-name given to an actual pound of silver' (194). This linkage changed as other substances, like copper or paper money, replaced the original metal alongside the 'continuous debasement of the currency by kings and princes', as they reduced the amount of the precious metal in each coin.

A commodity's price does not automatically reflect its value. Marx insists on distinguishing between a commodity's price in the market place and its actual value because the production of this difference is one of the defining features of capitalist practice. Not only is it possible for there to be a gap 'between price and magnitude of value' (196), but this separation is 'inherent in the price-form itself' (196); it is its purpose. The difference between price and value is absolutely vital to understand, since nearly all of Marx's ensuing arguments rest on understanding this.

Because value is the energy-transfer based on labour-time, Marx assumes that a commodity's value does not change. Value does not rise or fall through exchange, only the price of that value alters. One way to understand how an object might have a stable value, while having a fluctuating price, is to think of what happens when we go to a bank to borrow money. When we take out a loan, we are essentially buying money for immediate use, and the amount of interest we pay on the capital determines the price that the money will cost us. For the convenience of receiving the measure of value certified in money now, we pay a higher price for it: the original amount and the interest. If there's a fixed interest rate of 10 per cent, then we will pay the overall *price* of 11,000 pounds to buy the right to spend immediately the *value* of 10,000 pounds. I pay 11,000 to be given the equivalent of 10,000. If interest rates increase on the loan, the price of the borrowed money becomes higher and I might have to pay 12,000 for the value of 10,000. The underlying value of what I can purchase with this money remains the same. The only difference is that the price of the money has increased. The same process happens in reverse. When we deposit our money in a savings account, we are essentially selling our money to the bank, which pays us a higher price with the interest gained on our deposits.

Marx also illustrates how price can be entirely separated from value in certain instances. Some 'things' can be bought for a price even though they are value-less, in that they are not made by human labour, for instance 'conscience, honour, etc.' (197) We do not practise telling the truth in order to bring the value of our honesty to the market place, but we might sell it anyway for the right price. Indeed, since the price-form makes 'the exchangeability of commodities for money' (198) seem necessary, capitalism increasingly urges us to convert use-values into exchange-values and put a selling price on everything we hold dear.

Because the money-form is used as a form of appearance of both value and price, it works to paper over the difference between the two, since both are expressed in terms of money. Blurring the distinction, money increasingly seems to represent price alone, it 'ceases altogether to express value' (197). The move to talk about a commodity's price, rather than its value, is one more step towards mystifying the actual relations of production, since it is a further move to rely on abstract numbers, rather than material use. If money does not express value, it seems as if the market is simply a system for trading abstract prices, rather than values based on human production.

Notice that we have moved from a world of use-values to a world of exchange-values and then from a world of exchange-values to one of prices represented by money. Step by step, the practices of the market push us to move further away from the human source of value. Looking at a pile of coins, it is difficult to know from whence these coins came (from farm labour, from a factory, etc.). By entering a world of abstractions, our only guides seem to be money.

Section 2. The Means of Circulation

Having explained that money is a medium of value and standard of price, Marx now explains that money also acts as the means for circulating commodities. Remember that because money is the medium of exchange, the equation

commodity = use-value + exchange-value

becomes

commodity = use-value + money.

Yet we do not exchange use-values, since for Marx they are not exchangeable. 'Once a commodity has arrived at a situation in which it can serve as a use-value, it falls out of the sphere of exchange into that of consumption' (198). In this it appears as if the commodity's value is the exchanged money, since its use-value is ignored.

From this perspective, we have moved to a series of equivalents whereby a commodity can be exchanged for money, which, in turn, is exchanged for another commodity. Money acts as the means for transferring or circulating commodities in a process of exchange represented by the formula

commodity–money–commodity,

abbreviated as

C–M–C.

With trade that extends beyond the limits of a small enclosed group, commodities *must* be transformed into money, since money is the universal equivalent form. In this market relation, we also adopt a new social 'role'. Rather than entering the market as producers and consumers, we do so as interchangeable 'buyers' and 'sellers'. I go to the market with a commodity to look for a buyer who has money. I name my price, ideally the buyer agrees, and then gives me money in exchange for my commodity. She or he can then either consume the commodity (and realize its use-value) or turn around and sell it for more money. Similarly, I, who was formerly a seller, now take my money and try to buy something. In this concourse of buying and selling, a circuit of exchange (C–M–C) is created between a seller (who trades a commodity for money, C for M) and a buyer (who trades money for a commodity, M for C) through 'two metamorphoses of opposite yet mutually complementary character – the conversion of the commodity into money, and the re-conversion of the money into a commodity' (200).

Yet once someone has traded one commodity for another through the medium of money, money still remains after the exchange in the hand of whoever sold the commodity to the original buyers. Within capitalism, this money cannot really be allowed to sit still or be hoarded for fear of losing exchange-value. In the first stage, the seller of commodities seeks money. She or he assumes that because of competition, they will get a certain price. Yet while sellers assume that the price they will get for the commodity remains the same as it was in the past, they cannot be sure that when a product comes to the market it won't be 'superfluous, redundant and consequently useless' to the sellers. If I produce a commodity, like linen, and it has become cheaper in the interim because there are now too many weavers willing to sell the value of their labour-time through the form of their commodity for less money, then I will not get the same price as before. Because of the uncertainty of fluctuating prices, many sellers will seek to sell sooner rather than later so as to ensure that they get the price they had expected to get when making the commodity. Similarly, capitalists will see the leftover money as needing to be put back into circulation through the purchase of another commodity. Thus, the very presence of money speeds up the flow of exchanges.

This nervous need to increase the speed of exchanges constantly hovers in the mind of sellers, especially as it may foreshadow the onset of a larger economic crisis if there is a mismatch between the money that sellers want to receive and the money that buyers will give for certain commodities. Marx implies here that such a crisis is hard to resolve precisely because of the alienation that money creates. Since money, in the circulation of commodities, seems to be the real goal of exchange, it appears to have an even greater fetish-power than commodities, especially as money seems to have freed itself from determination by commodities. 'From the mere look of a piece of money, we cannot tell what breed of commodity has been transformed into it' (204). With ten British pounds in my pocket, you are ignorant of what has happened before this moment. 'Since every commodity disappears when it becomes money it is impossible to tell from the money itself how it got into the hands of its possessor, or what article has been changed into it' (205). Money's abstract numbers do not say anything about the kind of labour that went into making the commodity or even what kind of commodity was sold to make money.

Money's abstraction and need for speed pushes traders to expand commerce beyond familiar boundaries and become incorporated within a wider and more complex social space. Since the circulation of commodities is no longer a 'direct exchange of products', but an exchange that goes through a mobile medium, money allows for a geographic expansion of the realm of trade beyond what was possible in barter, when both traders had to bring their goods to a meeting place. As more and more commodities can be equated to each other through money, the chain of commodity exchanges grows, bringing us into a 'whole network of social connections . . . entirely beyond the control of the human agents' (207). Like it or not, we are caught within a mesh of trade far beyond the local regions of regionalized trade where there was a direct exchange of commodities or, at least, a very basic use of money-form. A new sense of unfamiliar space, the global market, emerges, along with our interdependence with other participants in the market whom we might never see or even know about their existence.

> Circulation bursts through all the temporal, spatial and personal barriers imposed by the direct exchange of products, and it does this by splitting up the direct identity present in this case between the exchange of one's own product and the acquisition of someone else's into the two antithetical segments of sale and purchase. (209)

Yet as money makes it easier to connect to faraway markets, it also amplifies the possibility of an economic crisis. For in this expanded realm, there is no guarantee that the two ends of a commodity chain, a buyer and seller, will always connect, often leaving money left over that is not delivering any use-value or exchange-value. Even in the normal state of affairs, 'circulation sweats money from every pore' (208) after commodities have been bought and sold. Whichever capitalist has this money, she or he will want to use it to buy more commodities, and begin the 'constant and monotonous repetition of the same process' of commodity circulation all over again (210–11). The larger effect here is that because money emerges from the circuit of C–M–C exchange, it seems as if money, rather than commodities, is the point of exchange.

This belief in the primacy of money leads to false conclusions about its power to determine price. While the price of a commodity tends to settle into an expected range, sometimes the price rises, what we call inflation, or falls, what we call deflation. Marx disagrees with liberal economists who believe that inflation is caused by an oversupply of circulating money; Marx instead insists that inflation is caused by the oversupply of value-producing labour. After gold and silver were discovered in the New World during the seventeenth and eighteenth centuries, there was a steady fall in what gold and silver coins could buy, that is to say, the prices for commodities rose. Marx says the claim that the proliferation of precious metals led to inflation was a 'false conclusion' (214). Though Marx does not explicitly say why, his implied answer might be that the period's inflation came about due to the discovery of New World mines, which were largely excavated using cheap native or imported African slave labour, rather than European wage-labourers. The value of the gold and silver currency decreased, since it was suddenly easier to find gold and silver and less valuable labour was used to mine the metals. Prices may rise and fall, but they do so solely in relationship to labour costs, not to the relative amount of money, which is just the symbolic notation for the value that labour creates.

On the other hand, while the mass of money does not matter, the velocity of its circulation (or what is today called liquidity) does. For if money 'slows down or completely leaves the sphere of circulation', this slows down the cycle of exchanges. Like a shark that dies if motionless, capitalism requires the 'hurried nature of society's metabolic process, the quick disappearance of commodities from the sphere of circulation, and their equally quick replacement by fresh commodities' (217). The importance of speed means that ultimately there is no reason why we need to have gold as money (as coins). Money could as easily be paper notes, which are faster and easier to transport, thus facilitating exchange. If money can be dematerialized from metal to paper, there is also no reason why it cannot be further dematerialized to go from being actual paper notes to computer-screen notations of credit, which is even easier to move around distant buyers and sellers. Consider how frequently our current transactions are electronic, as we further and further abstract our exchanges. The need for speed leads Marx to the next section, on money itself.

Section 3. Money

Money is the commodity that is both a measure of value and a medium of circulation (227). Because it has these functions, people often hoard money in the belief that they are protecting their value from the vagaries of the market's turbulence. In this section, Marx argues against the mercantilist notions that holding gold reserves ensures a nation's wealth by storing value. Marx wants to show why hoarding coins ('the greed for gold') is contradictory and self-defeating for capitalists. The miser who holds on to her or his money makes the mistake of thinking that the coins contain value. But coins do not have value; they are simply a denominating measure of value, which is a social form, not a private one. Hoarders think that exchange-values are really use-values and that money has value, especially outside of the mobile exchange, when in reality it is only the medium that helps catalyse exchange. If I save Deutschmarks in the 1980s because I believe they have intrinsic value, then in ten years, I will be shocked to discover that they are worthless, since the money-form has been changed to Euros.

In societies that are not dominated by capitalist procedures, such as nomadic groups or feudal peasants, hoarding does have some effect because these peoples have a 'traditional mode of production, aimed at fulfilling their own requirements' corresponding 'to a fixed and limited range of needs' (228) that ensures prices remain stable, even if only by recourse to the moral pressure of not changing what has become customary. With groups that have not largely entered into the outward-expanding network of commodity circulation, money can functionally remain simply a measure of value. But 'with more developed commodity production', it is less possible to remove money from circulation, since these societies see currency transfers as a source of wealth-making. In this world-view, money is desirable when it is put into motion to create accumulation, not when it rests in a hoard.

In times of crisis, though, the middle class, which has risen through the circulation of values, 'declares money to be a vain imagination. Commodities alone are money' (236). During financial emergencies (like stock market downturns), people rush to buy something tangible, like houses. What these investors forget is that the house is also an object of exchange and can lose its price as easily as can stocks or bonds. For Marx, the belief that objects are more real than currency is nonsensical, because commodities also only have value as they are part of the circulation of money. The only relatively stable method for retaining value is through use-value, where commodities are used, rather than seen as a form for exchange. Capitalists, however, have got themselves too far in the mud to go back to a world of use-values. Keep in mind the underlying logic of inexorable development here. Once we seem to step onto the path leading to a commodity society, there is no safe way of turning back. Crisis looms.

The other problem with hoarding is that by slowing the circulation of money it aggravates tensions between creditor and debtors. As hoarders refuse to release money, they make it harder for their debtors to get hold of the money necessary for loan repayments. A monetary crisis erupts when the 'ongoing chain of payments' has been disturbed in this way. Historically, this crisis led to the development of intangible credit money, which seeks to reduce the possible number of obstacles in trading purely for money. But even fictional credit can still disappear in times of panic.

Finally, money acts as world money by allowing traders to break out of their local regional barriers and insert themselves within interconnected segments of the world market's commodity chains. 'It is in the world market that money first functions to its full extent as the commodity whose natural form is also the directly social form of realization of human labour in the abstract' (241). Hence 'countries with developed bourgeois production limit the hoards concentrated in the strong rooms of the banks to a minimum required for the performance of their specific functions' lest the build-up of these hoards creates blockages in the global circulation of commodities. Marx suggests that more developed nations will force less integrated ones into the world market as a means of rebalancing the capitalist system. By accelerating time expectations for repayment and injecting the need to accumulate by investment, dominant nations prevent weaker ones from holding on to their goods or natural resources because they need to get money back to pay their loans.

Part Two: The Transformation of Money into Capital

Chapter 4. The General Formula for Capital

In the last part, Marx argued backwards from the presence of a terrific production of commodities to show that the exchange of commodities increasingly requires the presence of money as a measure of value, standard of price, means of circulation, store of value, and means of payment, especially as world money. Again, we need to emphasize that Marx does not consider the presence of money as a defining feature of capitalism. Capitalism requires the emergence of the money-form, but money is also necessary as a means of calibrating the trade of two different kinds of commodities in all societies that have complex divisions of labour and engage in long-distance trade. Marx's interest is in how money becomes used as a building block for the rise of capital. Notice that the first part was called 'Commodities and Money' and described the transformation of commodities into money. This part is called 'The Transformation of Money into Capital'. *Capital*, not *Money*, is the title of Marx's book.

By this chapter's end, Marx will have differentiated money from capital, which he defines as money that is invested to make more money. He declares that capitalism's fundamental logic, what he calls the General Formula for Capital, is the use of money to buy a commodity only in order to sell it for profit. Money traded for more money through the medium of a commodity is 'transformed into capital' (248).

If we look at the circulation of commodities as a form of exchanging use-values, we can witness the onset of the 'economic form brought into being by this process', 'find that its ultimate product is money', and see that money 'is the first form of appearance of capital', the first expression of exchange-value (247). Marx says that 'the circulation of commodities is the starting-point of capital' and the development of 'the production of commodities and their circulation in its developed form, namely trade' forms the historic preconditions 'under which capital arises. World trade and the world market date from the sixteenth century, and from then on the modern history of capital starts to unfold' (247). Though Marx does not specifically mention what happened in the sixteenth century that began the world market (or, at least Europeans' entry into pre-existing Middle and Far Eastern trading circuits), it helps to consider the warlike explorations into the New World by Europeans as helping to inaugurate their world trade, as the natural and mineral resources of the New World gave Europeans access to commodities that they could exchange in African, Middle Eastern, and Asian markets.

Historically, 'capital first confronts landed property [such as that of the nobility or the Church] in the form of money' with 'merchants' capital and usurers' capital' (247). The early capitalist interests used trading and lending capital, rather than money invested in land, because religious and noble groups 'hoard' the resources of land, thus making it difficult to commoditize.

The first distinction between 'money as money and money as capital' involves their respective sequences. We saw that the circulation of commodities uses money as money, a medium to trade commodities: C–M–C, 'selling in order to buy'. But alongside this there is another process that inverts the order to become M–C–M, where one starts with money as capital, buying a commodity to sell it. The C–M–C sequence of trading one commodity for another through the medium of money ultimately still remains based on use-values. The inverted order of M–C–M, wherein money is the beginning and end of a series, is based on exchange-value.

With M–C–M, if a buyer bought 100 pounds' worth of goods, it would be 'absurd' for her or him then to sell these commodities to end up with 100 pounds. That would just be exchanging money for money, and only a foolish person would go to the effort of trading for exchange-value and not make a profit. If all that the buyer was going to do was end up with the same amount of money, she or he might just as well have saved the effort and simply hoarded it. If I send money out to get money back in, this reflux needs to bring back more money than it began with.

Therefore, Marx says the circuit, money for commodity for money, means that the capitalist in the end must have more money, the original sum (M) plus a profit (Δ). Δ (pronounced 'delta') is scientific notation for change.

This formula is

$$\text{M–C–(M} + \Delta\text{M).}$$

Alternatively, $M + \Delta M$ can be represented as M' (pronounced 'M-prime'), so the formula reads M–C–M', where $M' = M + \Delta M$.

The money created through the circuit of exchange is the 'increment or excess over the original value'. Marx calls this excess 'surplus-value', (251) as the value that is not from use-value and is greater than the original amount of exchange-value. If circulated exchange-value creates surplus-value, then Marx says that it has been 'valorized', meaning that value has been added; it is valorization that 'converts [money] into capital'.

Here we have Marx's definition of capital. Capital is money that is invested to create profit. Capital is not money used to satisfy a use-value, but money that is spent only to create surplus-value. Because surplus-value only emerges through exchange, the circulation of commodities, the capitalist's goal is never to end with a commodity that could be consumed for its use-value, and not even for 'profit on any single transaction. His aim is rather the unceasing movement of profit-making' (254). Since exchange-value exists outside of human needs, because it is alienated from human requirements, capital consequently imagines a world in which accumulation is 'an end in itself, for the valorization of value takes place only within this constantly renewed movement. The movement of capital is therefore limitless' (253).

This restless, never-ending process of accumulation differentiates a miser hoarding money from a capitalist. The miser holds on to money because he believes that he can secure its imagined exchange-value, and, perversely, turns the desire for money into a use-value: the pleasure of hoarding. Capitalists, on the other hand, are only concerned for the market place's circuit of exchange; they must throw money 'again and again into circulation' (255), since each new cycle of trade sweats out money as it ends, ideally with more surplus-value being created. Now we can understand why Marx emphasizes the velocity of circulation, since profit is achieved only when the circuit of exchange has been completed. The capitalist always desires to reduce the time that it takes to complete a trade cycle, since the faster the circuit turns, the more profit is made. Time delays mean inactive, hence lost, capital.

In the simple form of circulation, there was a fetishism of commodities, as it seemed that commodities gained a 'form independent of their use-values' and their human producers. But in a world run by the principle of M–C–M', it seems as if commodities are the medium between money, rather than the reverse, and can thus be squeezed out of the formula. This move makes it appear as if money has a relationship only with itself and it creates a money-fetish in which it seems as if 'money begets money', without the need for the intermediate social stage of the commodity-form or the humans that create these commodities. By looking to circulation of currency as the source of profit, the capitalist then creates a market-fetish, which treats the sphere of exchange as a living thing. Think, for instance, how frequently people will talk about making money from the stock market, as if value comes from buying and selling, rather than making and using. Marx turns to critique this notion in the next chapter, but ends this one by saying that the General Formula for Capital is M–C–M' – money used to create profit.

Chapter 5. Contradictions in the General Formula

After having shown that surplus-value is created at the end of a cycle, Marx then says that this does not make any sense. Where does the surplus-value (profit) come from? For despite what capitalists say, we know that inanimate money cannot make more money, just as commodities cannot bring themselves to the market. There has to be a source of profit that we are missing.

To get at this problem of the missing value, Marx reaffirms that commodities cannot be sold for more or less than their value, since value comes from labour-time expended in producing the commodity, and the amount invested into an object cannot be changed, gained, or lost within the market place's circulation. 'Circulation, or the exchange of commodities, creates no value' (266). Furthermore, if I choose to sell a commodity for less than its value, and do not make up for this loss in some other way, then, over the long run, I will go bankrupt. In the market place, I can, however, realize a gap between a commodity's value and its price. A commodity can be bought or sold for a price that does not reflect the commodity's real value and this difference is the gained surplus-value (now we can begin to see why the value/price distinction is important).

Liberal economists claim that buyers and sellers exchange goods to satisfy each other's use needs, but this is contradicted by the end result, as only one of them ultimately profits. Marx admits that in one sense the liberal political economists are right: 'in so far as use-values are concerned, it is clear that both parties may gain' (259). Because use-value is a qualitative need, each side can feel that what they required has been achieved. It is 'otherwise with exchange-value'. Since exchange-value is a quantitative matter, it is not mathematically possible for one side to gain surplus if both receive equal amounts of exchange-value through trade.

One possible solution to this paradox might be if one side profits because the seller trades her or his commodity for more or less than its actual value. This is not a real solution given that a seller of commodities receives money to buy new commodities. If I sell my goods for less money, allowing the buyer to make a profit, then when I turn around to buy new ones, I'll have less money and will need, in turn, to buy goods for less then their value. What the person who sells to me gains in the first round of exchange, she or he will lose in the next. In this way, losses and gains even out and no surplus-value is created. We still have not solved the puzzle of profit.

Where else might surplus-value come from? It might come from a buyer cheating a seller by forcing them to sell a commodity for a price less than its value. But Marx claims: 'the capitalist class of a given country, taken as a whole, cannot defraud itself' (266). While cheating may go on, capitalists cannot, as a general rule, consistently rely on profit from defrauding each other, since every capitalist, as mentioned above, is at various times both a seller and buyer. Whatever advantage capitalists might gain as sellers by cheating, they would lose as buyers at the next moment, when they in turn are cheated. Because of the twofold nature of the capitalist, as buyer and seller, profit cannot systematically come from mutual cheating (although Marx realizes that capitalists have the benefits of nationalism and can cheat weaker foreign capitalists knowing that they cannot retaliate).

Some believe that profit emerges from rising prices due to inflation. This cannot explain the problem for two reasons. Firstly, inflation affects both buyers and sellers equally, and it does not change the ratios of money involved. Secondly, as Marx explained, a commodity's price is not the same thing as its value. Simply because the price of a good has gone up, it does not mean that its value has done so. The price rise is a fictional bubble ready to burst.

There are two groups who do seem to make money through exchange: long-distance merchants, who buy goods cheaply in one port and transport them to another to sell them more expensively, and usurers, who charge interest on loans. 'Buying in order to sell dearer, is at its purest in genuine merchants' capital' (266). But because 'the whole of this movement takes place within the sphere of circulation' (that is to say neither involved with production or consumption, but simply distribution) the merchant has to be thought of as just an intermediary 'who parasitically inserts himself' between 'selling and buying producers' to cheat both of them. Because the merchant depends on others to initiate and complete exchanges, mercantile capital could never become the dominant form of profit-making, especially as it is highly vulnerable to global changes that it cannot control.

The same is true for usurers, those who make profit from lending money. Ultimately, 'merchants' capital and interest-bearing capital are derivative forms' that rely on other traders, and they cannot be used to explain the contradiction of surplus created through circulation. On the other hand, Marx says, 'it will become clear why, historically, these two forms appear before the modern primary form of capital' (267). This does not seem very clear. Marx seems to be contradicting himself by saying that merchants' and usurers' capital both seems to help start modern capitalism and yet cannot explain its operation. By the last part of the volume, he will return to explaining this riddle, but for now we must momentarily accept his claim about the lack of importance of mercantile and money-lending capitalism.

So if profit does not come from the relations between capitalists buying and selling from one another, where does the surplus come from? The main contradiction of the General Formula for Capital is that profit comes from circulation and yet, seemingly, cannot come from circulation. 'Capital cannot therefore arise from circulation', since that profit cannot come from buyers and sellers cheating each other. 'It is equally impossible for [capital] to arise apart from circulation', since circulation is where exchange-value is realized in ways that create surplus-value. Marx recognizes that it does not make sense that capital 'must have its origin both in circulation and not in circulation' (268–9). If the General Formula for Capital is that capital is money invested to make profit, the contradiction in this formula is that we still do not know *how* profit is really made. How can we resolve this paradox? The answer lies in the next chapter.

Chapter 6. The Sale and Purchase of Labour-Power

The riddle of surplus-value's origin cannot also be determined in 'money itself, since in its functions as a means of purchase and payment it does no more than realize the price of the commodity it buys or pays for' (270). Money is just a medium that brings together different commodities, but it is not a use-value or actual source of value. The possessor of money must instead look for a 'special commodity' that can create value. Remember that for Marx, all value is created from labour. Since capitalists do not labour, they cannot create value. Who creates value then? Those that do labour: the labouring class. Since only labour creates value, the surplus-value creating commodity must be 'the capacity for labour, in other words labour-power' (270). For money to be transformed into capital, for money to create surplus-value (profit), it must buy a value-producing commodity. This commodity is labour-power.

Marx defines labour-power as 'the aggregate of those mental and physical capacities existing in the physical form, the living personality, of a human being, capabilities which he sets in motion whenever he produces a use-value of any kind' (270). He then conditions this definition by saying that labour-power can 'appear on the market as a commodity only if . . . the possessor, the individual whose labour-power it is, offers it for sale or sells it as a commodity'. There is a key difference between labour, which makes value, and labour-power, which is a fraction of human labour sold as a commodity. Labour-power is commodified labour that is mainly bought by capitalists to create surplus-value.

For the labourer to sell his labour-power within the market place, two historical conditions have to be met. Firstly, the labourer must 'be the free proprietor of his own labour-capacity, hence his person'. Workers must be able to alienate their labour by selling a part of it for a price. In order for the labourers to be able to commodify their vitality, they cannot be either slaves or serfs. When a slave is sold, the purchaser buys the slave's entire body including all of its labour and rest, not just a fraction of it. Serfs bound to the land, likewise, must give their lord a set amount of their labour annually as part of the customary agreement, but this labour is not sold. The agreements are either arranged by long custom or by political settlement after invasion, but not by the price-setting market place. Labourers must be 'free' from pre-modern masters and lords who dictate their movement.

The 'second essential condition which allows the owner of money to find labour-power in the market as a commodity' is that the seller of labour-power, the worker, must have 'no other commodity for sale' than his labour (272). The labourer must be 'free' of any 'means of production, such as raw materials, instruments of labour, etc.' that they could use to survive outside of the labour market. Just why the worker does not have anything else to sell does not interest 'the owner of money' and, for the moment, it is not Marx's concern either (he will come to this later, in Part Eight). The definition of a proletarian is someone who has only their labour to sell. While we often think of a proletarian as a factory labourer, Marx uses the term more broadly, in ways that arguably encompass most kinds of labour today.

Marx emphasizes that the creation of a 'free' person is a historically new feature, something that defines modernity. The emergence of an individual subject who 'alienates' their labour by commodifying it because they have nothing else to sell 'has no basis in natural history, nor does it have a social basis common to all periods of human history' (273). This scenario occurs *only* in a capitalist mode of production after a series of 'many economic revolutions' involving prior complex divisions of labour that can be gauged by the ways in which the form of money's use has been changed through different phases as 'the mere equivalent of commodities', a 'means of circulation', a 'means of payment', a 'hoard', and 'world currency'.

Neither the 'feeble circulation of commodities', nor the 'mere circulation of money' can be used to define the start of a capitalist era. These are only symptoms of a larger shift in the mode of production. Capital, as a 'new epoch in the process of social production', begins 'only when the owner of the means of production and subsistence finds the free worker available, on the market, as the seller of his own labour-power' (274). Capitalism is a distinctly new historical phase because the conditions of unfree, bound labour, different from slavery or vassalage, could not have dominantly existed in pre-modern (here pre-1500s) Western society.

If labour-power is a commodity, how do we determine its value? Its value comes from the duration of labour-time necessary to generate 'the means of subsistence necessary for the maintenance of its owner' (274) or what Marx calls necessary labour. A worker sells a unit of his labour-time for money (wages) to purchase what he needs in order to satisfy his survival needs, no matter how widely we define these basic needs. While Marx lists basic needs as mainly involving food, clothing, fuel, housing, and education/training, he admits that these needs are relative and depend on the climate and environment of the worker and the historical conditions of her or his society. A Westerner's 'habits and expectations' make him consider his basic needs as being different from, and probably more than, those of someone in a non-Western society. Just as Marx does not question the morality of use needs, so, too, does he forgo judgement on what workers consider to be their basic needs.

Marx also significantly considers subsistence needs as not only covering those of the individual worker, but also the needs of the worker's entire family, including his partner and children (or other future replacements) as the expanded set of the individuals who feed and nurture the worker, so that he can return to labour, and those for whom the labourer works to provide. The value of labour-power is thus determined not only by the value necessary for the individual's self-regeneration, but also by the costs of social reproduction, the support of the next generation. Notice an unsaid shift here. In earlier chapters, Marx argued that value can be determined by the amount of abstract labour-time, a social average of labour skills. Now Marx begins the process of providing a more concrete and material understanding of a previously conceptual term when he now defines the value of labour not as labour-time in the abstract, but as labour-time for human survival and welfare.

Once we recognize that the only commodity that a capitalist can purchase to create value is human labour-power, we have moved closer to understanding how surplus-value can be generated. Surplus-value is not made by generally trading commodities in the market place, but with the sale of a unique commodity, labour-power. The only commodity that has value is workers' labour-power, since value is only created by labour. However, workers do not get the true price for the value of their labour. Surplus-value emerges from the difference between the price (wage) given to the worker for the value of her or his labour-power.

Marx then was not completely forthcoming when he earlier said that there is not any cheating within a capitalist economy. For while one nation's capitalists might not systematically cheat the other capitalists of that land, they do systematically cheat the members of another non-capitalist class: labourers. This fraud is the origin and sole source of surplus-value.

To be clear, according to Marx, neither exchange nor the use of money makes a society capitalist. Capitalism is specifically the social system that restlessly seeks profit, and it gains this profit from exploiting labourers. In a society based on exchange-values, it would be silly for capitalists to give up the surplus-values they gain. Yet for a society that bases itself on use-values, and is thus uninterested in making profits, such a reduction makes sense. The former is capitalism, the latter socialism. If labourers were paid the true value of their work, there would be no price differentials, no surplus-value, no profits, and no capital. Against this, the demand for 'social justice' fundamentally means that all parts of society should be compensated for the real value of their work.

We might ask, why do workers put up with constantly being cheated by capitalists? Marx's answer is historical. While labourers before the onset of capitalism needed certain commodities to survive (like food, housing, etc.), they also partially controlled their own means of production. In pre-modern society, serfs may have been *oppressed* by the nobility, as they were coerced to work for the manor, but they were not *exploited* in having to sell their labour-power. Furthermore, serfs often had small farms of their own as well as customary rights to use communally shared land, both of which gave them a small resource on which to survive.

In the move to modernity, with the advent of capitalist agriculture, serfs are 'freed' from their historical obligations to remain on land. This is a false freedom, since the serf usually becomes liberated from the land by being forced off it and prevented from using the commons. Because de-ruralized labourers must buy things to live which they could previously have either made for themselves or traded in barter-like exchanges, they have to go to the market place with only one thing to sell, themselves, i.e. their labour-power. This is especially true if the serf or worker does not own any tools, while the capitalist does (for instance, a factory worker can only make things by being 'allowed' to use the factory).

Because the labourer needs money now and cannot refuse work and wait for better wages in the face of hunger and other survival needs, she or he is in a position of weakness when bargaining for wages. Therefore, workers are structurally disempowered and vulnerable to having to sell the value of their work for a low price. Furthermore, the buyer of labour-power, the boss, is able to hold on to the labourer's wages until the labourer has made the commodities that will be sold.

To press this point about unfairness further, Marx sees the language of freedom and equality in the market place as a mystifying deception. The capitalist says that in the sphere of the market place, there are only individual buyers and sellers, not social classes or group interests. For the capitalists who structurally benefit from the sphere of circulation, the market place of commodity exchange presents itself as 'a very Eden of the innate rights of man' of 'Freedom, Equality, Property and Bentham'. Everyone is equally free to buy and sell (labour-power) as they wish: individualistic 'free will' and universal rights for all in the exchange between the worker and the employer. They have 'property rights' over what they wish to sell and can look to their own advantage and the satisfaction of their needs (this is what Marx is alluding to when he includes the name of the utilitarian philosopher [Jeremy] Bentham in his list).

The image of the market as a utopian space of freedom and equality, however, covers up the pre-existing inequalities between worker and boss. There is a saying, attributed to Anatole France, that wryly illustrates Marx's point about the free choice to sell one's labour or not. The saying is that the rich and poor are equally free to sleep under the bridge at night. The grim joke here is that only the rich have the choice not to sleep under the bridge. Those who are too poor to afford housing do not. A similar result of unequal power appears after the one who buys labour-power with money and its seller are finished exchanging. Now

> the money-owner . . . strides out in front as a capitalist; the possessor of labour-power follows as his worker. The one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but – a tanning. (280)

Once we recognize labour-power as the unique source of surplus-value, we have solved the riddle of the General Formula for Capital's contradiction. If capital is money invested to make profit, then this profit does not come from one capitalist cheating another, but from one capitalist cheating those who have nothing to sell but their own labour as a commodity. We can also now understand why commodities and money might be fetishized as creating value. Because the price the worker has been paid to make the object is less than the value of human energy transferred from the worker to the object, it seems as if the created surplus-value was made by the commodity itself, since, in the sphere of exchange we cannot see what has been behind our backs, the exploitation of the worker in the sphere of production. In reality, commodities and money are only the 'forms of appearance' through which the labourer's value is carried. In appearance, it seems as if commodities and money are actually the source of value. Yet once we understand the real origin of surplus-value, we can demystify the commodity's effects. Think back to *Capital*'s first line about capitalist society's monstrous increase in the production of commodities. Now that we know that commodities are produced within a capitalist society for the sale of profit that emerges from the exploitation of labourers, we might rephrase this line to define capitalism as the kind of society that vastly increases the exploitation of producers.

In the first two parts, Marx started with the commodity to show how it becomes money, and then depicted how money becomes capital. In this process, we have understood how the difference between the price of labour-power and its value creates surplus-value. Yet to completely perceive the ways in which this gap is made, we need to leave the 'sphere of circulation', the market place, which only trades, but does not create value, and enter the 'hidden abode of production' (279), where value is actually made through the transfer of human labour into commodities. The 'secret of profit-making' can only be laid bare by unveiling this place that is otherwise closed off from public inspection.