MARX ON MONEY AND VALUE: SUZANNE DE BRUNHOFF AND AUGUSTO GRAZIANI

Riccardo Bellofiore (University of Bergamo, retired)

Marx on money (and value)

- **peripheral** for a very long time, with exceptions
- **revival of interest**: the 1970s
- anticipated by **book on money** by Suzanne **de Brunhoff** (1967)

- 1. **Schumpeterian distinctions** in *History of Economic Analysis*
- 2. de Brunhoff on Marx on money as **universal equivalent** as final validation of private labours producing commodities: **the 1960s**
- 3. de Brunhoff & *Primo Maggio*: the **early 1970s break**
- 4. de Brunhoff's book on the **State & economic policy: 1976**
- 5. **Graziani** on **Marx on 'money as capital'**: finance to production (1983)

Real Analysis

- **Real Analysis** proceeds from the principle that **all the essential phenomena of economic life are capable of being described in terms of goods and services**, of decisions about them, and of relations between them.

- **Money** enters the picture only in the modest role **of a technical device** that has been adopted in order **to facilitate transactions**.

Monetary analysis

- **Monetary Analysis** introduces the element of **money on the very ground floor of our analytic structure**

- and abandons the idea that all the essential features of economic life can be represented by a barter-economy model.

- essential features of the capitalist process may depend upon the ‘veil’ and that the ‘face behind it’ is incomplete without it.

Logic vs History

- Theoretical Metallism vs Theoretical Cartalism

- **Theoretical Metallism** is untenable: not true that, **as a matter of pure logic**, money **essentially** is backed by commodities whose exchange value are logical basis of their value as money.

- <u>**confusion** between the **historical origin of money** </u>- in very many cases some commodities, being particularly salable, came to be used as the medium of exchange – <u>and **its nature or logic** </u>**[essence]** – which is **entirely independent** of the commodity character of its material.

- **error occuring frequently in social analysis**: primitive forms of social institutions may be **more complex** than modern ones and that they may **hide, rather than reveal,** logical essentials: Marx on anatomy of the ape!

Monetary Theory of Credit

- It is an analysis beginning from a state of things in which **legal-tender, ‘money’, is the only means of paying and lending.**

- The **huge system of credits and debits**, of claims and debts, by which capitalist society carries on its daily business of **production** and consumption **is then built up**, step by step, by **introducing claims to money or credit instruments that act as substitutes for legal tender**.

- Everything that happens in the sphere of **currency, credit, and banking** is construed **from money,** just as the case of **money itself is construed from barter**.

Credit Theory of Money

- **historically**, this method is readily understandable.

- **logically**, it is by no means clear that the most useful method is to start from the **coin** – or **inconvertible government paper** – in order to proceed to the credit transactions of reality.

- **it may be more useful to start from capitalist finance as a clearing system** that cancels claims and debts and carries forward the differences.

- **'money' payments come in only as a special case**.

MARX ON MONEY

BY SUZANNE DE BRUNHOFF

Preface by Duncan Foley

A General Theory of Money

- ***La monnaie chez Marx****:* the issue is **not** metallism (or ‘money as a commodity’ [vs. Ricardo]). ***NB*****: 1967**, Bretton Woods /dollar-gold

  - rather, the **explanation** of the economic basis for existence of money **–** as **Measure of value;** as **Means of circulation;** as **Means of payment;** as **Hoarding**: money as “object of a specific demand” – must be sought in a **general** theory of money

- <u>**a capitalist** theory of money must be subsumed under a theory which is **valid for every monetary economy**</u>
  - <u>a capitalist economy is necessarily a monetary economy</u>
  - <u>a monetary economy is **not** necessarily a capitalist economy</u>

Anticipation of main argument

- a **monetary theory of credit** involves **hoarding**

- **impossible to analise real equilibria abstracting from money**

- **monetary analysis**

Functions of Money

- simple **commodity** form is the germ of **money** form**: Universal Equivalent,** which permits the monetary **post-validation** in **final** commodity exchange

- **Measure of Value** (MV) & **Means of Circulation** (MC) do **not** require money as a commodity to be present 'in person': '**Money as money' will!**
  - MV: the given 'value of money' is **fixed through barter /** but money has no price; futility of search for 'invariable' measure of value
  - the **standard of price** (the **'money name'** of a gold amount) is **fixed by convention** (State)

- comms have **price tags before actual circulation**:
  - **from** comms **to** money
  - as MV money is IDEAL money ('value as form')
  - 'homogeneising' a given amount of labour contained ('value as content')

Anti-Quantity Theory

- Ideal money must actualises into real money: **money as MC**
  - labour is inner measure of value **because** of the value exhibition (expression) in money as excluded commodityexterior measure of value.

- prices defines the quantity of MC actually circulating from stock of money (**vs. Quantity Theory: hoarding)**

- Gold in person, as soon as it 'appears', immediately disappears**.** **Money** (*Geld*) vs **Currency** (*Münze*): functional, **dematerialisation**
  - still, through representatives, true value of gold determines circulation
  - what about value-less State fiat paper and banknotes? (exogeneity)
  - *NB*: for de Brunhoff State paper fiat inconvertible money is **true** money, coins are **symbols** of gold

Money as Money

- in **Hoarding** (H), the demand for money as money, **money as a commodity is essential** again: neither merely ideal (MV), nor capable of being substituted by a representative actor (MC); borderline btw money & credit
    - demand for M as M / gold => money as long as it **does not circulate**!
- with **Means of Payment** (MP), settling bilateral (im)balances in IOUs, money as money **is essential in circulation**
- as **Universal Money** (UM) money as money is present as the **unique form of wealth, as bullion**. International payment and Crisis.

Themes which follows

- regulation of money (& currency) supply not entirely political; **State power genuine** but subject to **monetary constraints**
- power of the State is **limited** by: other States + private individuals
- **Monetary Policy: role of universal equivalent to be preserved as money ground of capitalist credit and international transactions**

Financing and reproduction

- *Capital* is a theory of the monetary economy, **not** a monetary theory of the economy
  - credit system is built upon the monetary system: Marx's is a **'monetary theory of credit'** => dB on **capitalist finance & reproduction**

- **Finance** (F)**:** acts as **ante-validation** of capitalist production; but capital must **return in monetary form** at the end
  - F is first **advanced** in the 'cycle of money-capital': M-C … P … C'-M
  - 'closing' the circuit; no specific problem just technical financial proportions (vs. Luxemburg)
  - of little importance which kind of money is used
  - 'Financial role' of hoarding

*Rejection of Two Temptations**

- the method followed in *Capital* defines itself negatively by the **rejection of 2 temptations**:
- (i) a **purely monetary analysis** which would make **credit** only a **surface expression** of an eternal monetary essence,
- (ii) a **purely financial analysis** which would examine credit **solely in terms of the capitalist economy**

- Financial capital = money K (fraction of total K) functioning autonomously to provide financing to functioning capitalists
- **unitary notion of credit** (markets, credit institutions => banking) ->

*Interest-Bearing Capital**

- Financial mkt (long-term loans) + Monetary mkt (bank credit)
- fundamental **unity** of the **market for monetary resources**
  - <= from trade in gold and in foreign exchange

- **Price of money** = interest rate on money (**a commodity lent** as potential capital)
- Interest-bearing capital; monetary **conventional determination of i** (share of sv)

- **Banking** as (closed!) circuit **substitute hoarding**: functional/contradictory
  - **monetisation** of debts **+ advance**e of money capital (**creates deposits**, on **reserves**)
  - **special** financial intermediary: "only the bank can settle credit transactions in cash and put means of payment into circulation"
  - **like circulating metallic money credit money is thus dematerialised**
- **capitalisation** of stream of revenue into sums of money
  - **Fictitious capital**: fictitious = independent (+ not real) capital
  - Banking assets, Public debt, even stocks (speculative) => **'parasitic'**

*Hoarding and Crisis**

- **Money** (gold or banknotes alike) as **object of hoarding**
- **Banks also hoard**: may refuse to lend, hoarding "**ties** up the credit system, but **preserves** the credit of the banking system"

- Banks unleash or increase **financial panic**. Monetary policy may **ease**.
- But this is not true in world crisis: the **return of gold** – 'real reversal'

- **Crisis => "sudden change of the credit system into a monetary system"** (KM). Contraction of the functions of money in one: hoarding.

- "The antithesis between commodities and their value form, money, becomes heightened into an **absolute contradiction**": the **form** in which this famine is felt is **irrelevant**. (KM)

Banking Policy and State Money Power

- **intrinsic limits** of 'good' credit/money policy: it can avert bankrupcy for a while, but **cannot** eliminate it, because of the **crisis of confidence** it may engender or **speculative activity** it stimulates
- **=> no monetary policy can abolish the economic causes of financial stress**

- Central Bank, is semi-private, but is **part of State apparatus**
  - its room for manoeuvre is limited by the **monetary base** of the credit system
  - to retain **credibility** of money as means of circulation **CB needs to preserve hoarding as a condition of the survival of the *monetary* system**

*Postfaces (1975) **

- 1° edition,**1967**; 2° edition: **1973**; 3° ed. **1976**
  - 1971, **collapse of Bretton Woods** / 1973-74: return of **‘great’ capitalist crisis** after the 1930s Great Crash / 1974-1976: stagflation

- Leitmotif: **Crisis management meets objective constraints**, making Marx still relevant.

- **universal equivalent**: (i) for commodities; (ii) important among which forms of currency and money can be exchanged;(iii) grants the articulation for standard of price, means of exchange, store of value
- two separations: (i) among private producers; (ii) production vs. consumption: **final social validation** => the realisation crisis is the money form of crisis (**not** necessarily the fundamental cause)

Postfaces (2)

- (prior) financing: [bank] credit as anticipation of validation, **ante**-validation (**'as if' commodities will be sold**)
- from the polarity commodity/money to that btw credit/money
  - in the **XIXth**: realisation crisis => credit crisis => banks' failures
  - **1930s**: CB money as **inconvertible money** (no further validation): **pseudo**-validation at the **national** level
    - after WW2: temporary 'breakdown' turns into **inflationary crisis,** revealing **disjunction** of money as value-sign versus 'effective'-value; **moderate inflation** allows to overcome the difficulty
  - **1971-74**: acceleration of inflation + financial crisis + unemployment
  - it **marks the end of US hegemony** based on rapid increase of s/v
  - **economic policy** as class reaction, rather than management of the economy: **frontal attack against wage and employment**

Marx and contemporary monetary theory (2006)

- after 1971, it was abandoned the relation of the ‘value of money’ to the labour-value of money as a commodity
  - decline of the Gold Standard
  - demonetisation of gold
  - gold replaced by State debt
  - the supremacy of the dollar is based on US power
- **still relevant insights**
  - money as **post-validating:** it is the **socially accepted universal equivalent**
  - **role in commodification of labour-power** => money wage, exploitation
- <u>“In modern capitalist economies the [anti-quantity theory mechanism, from price to money supply] is **the banking system**”</u>
- <u>**Marx’ approach is highly compatible with CB supplying reserves endogenously**</u>

Marx and contemporary money policy

- money and monetary policy are the terrain of **class struggle**
- **accomodation vs. inflation targeting** (as surplus value targeting)
- **hierarchy** of money, ‘**consensus**’: but **clash between great currencies** (wrong anticipation about the crisis)
- ------
- Chapter with Foley in Arestis-Sawyer: early 2000s?

State, capital and 'economic policy'

- <u>State's economic role is **always** essential/**external + immanent**</u>
  - from the beginning of capitalism, the State <u>manages **money and labour power** as **very 'peculiar' commodities**</u>
  - <u>**'monetary policy':** illusion of control, reality of **endogeneity**</u>
  - since the 1930s, a qualitative change: <u>birth of **'economic policy**</u>**':** State <u>**[macro] intervention** targeting **'global'** economic realities, including **relation btw money and labour power**</u>
- Dialogue with *Primo Maggio*: socialised labour versus State as collective capitalist.
  - Limit of *operaismo:* **subjectivism**, i.e. **denying the constraints to political intervention due to the given objective social relationships**
  - forms of intervention are located within norms of *régulation,* defined by institutions + resulting from class conflict/compromise (Aglietta)

*State, capital and 'economic policy'**

- Thesis:
  - the smooth working of the circuit of capital needed
    - changes which the capitalist class couldn't enforce on its own,
    - as well as compromises which it could not achieve directly.

  - with the New Deal's policies supporting employment and workers' purchasing power, and with Keynesianism, the State eventually was involved
    - not only in regulating money and labour power separately,
    - but in the very relation connecting money to labour power

*State management of labour power**

- **despotism** of the factory, **discipline** of the labour mkt
  - **insecurity** of employment
- there is never a ‘pure’ capitalism
  - **non capitalist** institutions are needed to secure reproduction of LP and to minimise the ‘**specifically proletarian risk**’, but without impairing accumulation
  - the dominant class can guarantee economic hegemony only through public organisation
- dialectic btw **potential unity and division** in the proletariat: poverty, stratifications
  - the right to work is incompatible with capitalist command: there is no institutionally guaranteed employment
  - rights to social insurance is played vs. right to welfare

The two books must be read together

- Anglo-Saxon debate (and others?) mostly focuses **only** on her 1967 book on money (without the 1975 postface!)

- 1976 book on *State, capital and economic policy* (tr. In 1979)
  - deepens in fundamental way her appraisal of monetary mechanism
  - ground and enlarge her theoretical understanding of capitalism.

*State management of money**

- reproduction of UE by the State: **external + immanent (**just like the management of LP)
  - UE is something ‘in-between’ money and credit: monetary policy aims at preserving the ‘monetary constraint’
  - money is minted and issued by the State – but money is never ‘created by the State
- the monetary contraint is safeguarded through the monetary pyramid: private credit money, national currency, international money
  - private credit money provides social validation, but national currencies must be mutually convertible for that validation to be effective)
  - international money: nowadays it is **a continually deferred promise to pay** (there does **not** exist anymore a true monetary ‘final’ settlement)
  - crucial interplay of all the 3 levels

*Evolution of central banking**

- (i) formation of centralised banking systems
- (ii) elimination of gold from national circulation
- (iii) elimination of gold from international circulation

  - competition btw private banks **disaggregated the national market**
    - circa 1850, the weight of the crisis fell upon private credit: capitalist restructuring without undermining the national currency
  - from 1930s, **gold exchange standard and inconvertibility**:
    - irredemable legal tender / from private pre-validation to pseudo-social validation: it means **loosening the money/commodity link**
  - (managed) floating exchange rates:
    - gives way to **fragmentation of international transactions**

*About Banking**

- CB money: thanks to that, the symbols of value by private banks are ‘translated into’ symbols of national value – **but** they need to be set against a universal standard of measurement

- the ‘State’ management of money is always **implicit**

- **centralisation** of interest-bearing money capital is impossible without **concentration** of the management of the means of payement **at the national level**

*Versus Hilferding**

- **finance capital**: **dua**l nature
  - **money capital lent** to an industry (rate of interest)
  - (Hilferding) **banking capital transformed into industrial capital**; SdB very critical
- capitalist commodity circulation: implies **‘final’ settlements**, and this requires the **centralised management of MP provided by the banking system**
- to be distinguished from the form of **centralisation of money capital through investment/disinvestment of assets** concerning control over industrial capital
- the banking system is the **strategic sector** of the credit system, because **it combines the management of means of payment and of ‘money capital**’.
- ***what about ‘finance’ to production?***

*Endogeneity of money supply**

- **from** convertibility of credit money into gold **to** convertibility of bank money into national currency **+** possibility of banks to increase their loans.
    - ‘regulation’ under CB as lender of last resort
    - but **tendency to generalised over-indebtness**
- **the ‘strategic’ sector can evade the ratios imposed by CB and regulation**
- the reproduction of money as universal equivalent remains essential
- the control of the money supply relative to a given level of demand is impossible: **endogeneity of Ms.**
- management of money by CBs relates to the articulation within the different forms of money: the national currency within private bank credit and international money

*Economic Policy: New Deal**

- State as subject? *Operaismo*: ‘piano del capitale [totale’] (Panzieri) [total capital plan] => ‘Stato-piano’ [planner State] (Negri)
  - it IS an ideology; rather, look at social regulations and State’s practice
- **new type of State intervention** since the 1930s
  - the working of the capital circuit required changes which the capitalist class **couldn’t enforce on its own**, as well as **compromises which it cannot achieve directly**
  - **New Deal**: employment, purchasing power of the workers
  - with it, and with **Keynesianism**, now **the State is also involved in the <u>relation</u> btw money and labour power.**

*The birth of Economic Policy**

- ‘**Economic policy**’ is a **new** historically phenomenon, it didn’t existed as such before
  - **preconditions**:
    - **nominal wage** as **exogenous +** the working class envisaged as **economic subject**, but controlled by the State
    - this requires **high employment policies**
    - both **sustain consumption**
    - reorganisation of State’s financial apparatus + **irredeemable currency**
    - hence: theory of the capitalist process as **sequence** of monetary flows
    - State: impersonal power ‘machine’
      - opposed to Fascism/Nazism

*Criticism of Keynes (& Kalecki)**

- Keynesianism (+ Kalecki) **abolishes**
  - qualitative difference between money and commodities
  - the theory of value and exchange value
  - the concept of the value of labour power (w as only distributive)
  - the **actual content of social demand is irrelevant** (State money income and State expenditure are ‘like any other’)
  - Paul Mattick: **pseudo**-markets [production vs. capitalist pr.]
  - **ante**-validation => **pseudo**-validation => **inflationary** bias
- still forced to maintain a dialectics between
  - **social** [macro] **pseudo-validation** (Keynes)
  - the permanent existence of **market-based constraints and sanctions**

*Economic Policy in the 1960s & early 1970s**

- Monetary Policy, Fiscal Policy, Social Policy: may be ‘disjointed’
- US, since the mid-1960s: different policy mix; juxtaposition of different economic policies; rigidity of public expenditure
- outcome: **loosening of fiscal constraints** + **tightening of monetary constraints**
- 1971: change in policy about the management of the dollar in the **global arena**
- **floating exchange rate** (Kaldor: X drives I, at the expense of C) **transforms the international monetary sanction**
  - results depend on the overall situation of the country + class balance of forces

Economic Policy: the discussion with Primo Maggio*

- Italy, journal *Primo Maggio*:
  - Bank of Italy, direct class character of its intervention
  - inflation/devaluation/compression of real wages
  - monetary tightening as recession policy to defeat workers' struggles
  - austerity campaign since 1974-1975
  - workers' partial control of labour power independent of capitalist command
  - dB's criticism: functionalist view, which loses the reality of the market-based constraints and the objectivity of crisis

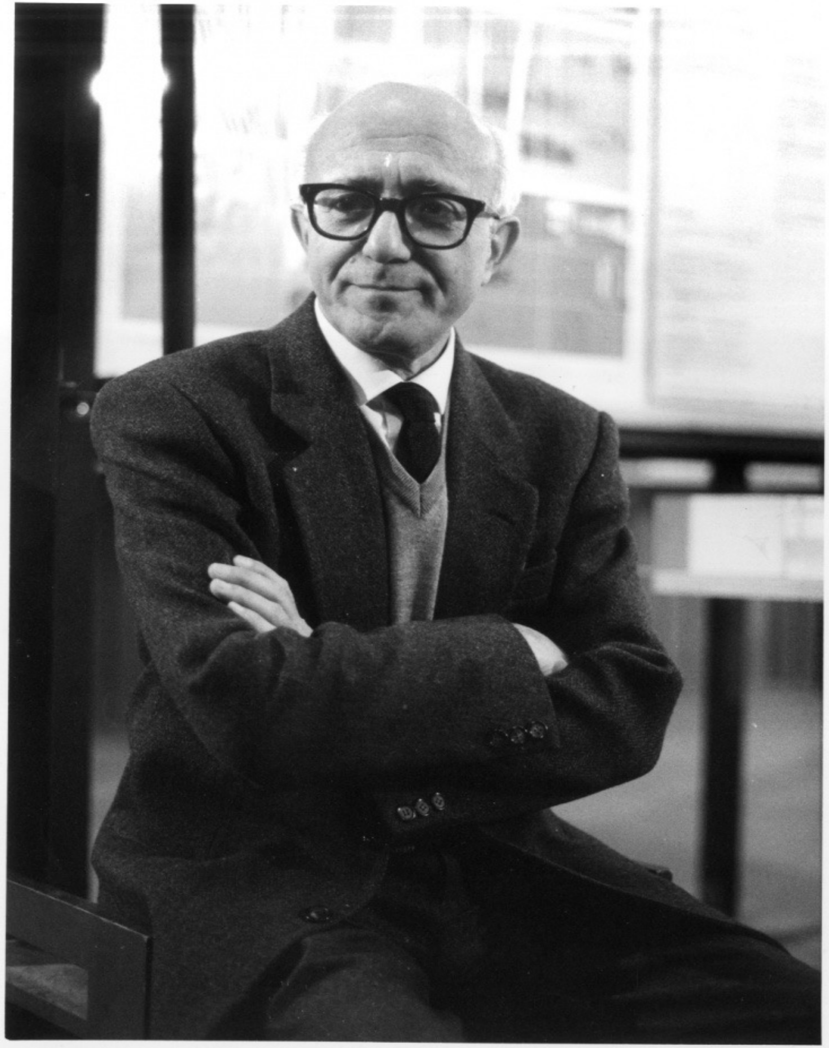
Economic Policy: the metarphoses of the State

- <u>not disappearence, but **maintainance** (metamorphosis?) **of the State's capacity for economic intervention**</u>
- States cannot be completely privatised: **every bourgeouis strategy requires a State to answer needs of capital which capital cannot meet directly**
- <u>the State may change, or take **different forms**, but it does not disappear because **capital always requires its existence**.</u>
- this is now true also for 'economic policy': social conflict + crisis => **perpetuate the domination of capital** (produce unity of burgeoisie, division of proletariat): **relative 'autonomy of the State'**

Marx et l'economie politique (1976)

- Commodity, money and credit are the bourgeois precondition of the development of capital:
  - from them it is not possible to deduce surplus value, but they are essential to understand how the valorisation process based on the exploitation of labour is actually going on.

- Equilibrium approach (Neoclassicals), Commodity approach (from capital to **commodity/distribu**tion), Monetary approach (from capital to **power/domination**)
  - all are unable to understand properly labour exploitation, the 'dangerous' leap, the role of the State



"A pregnant observation by Karl Marx"

- "The distinction between a **co-operative economy** and **entrepreneur economy** bears some relation to a pregnant observation made by Karl Marx, though the subsequent use to which he put this observation was highly illogical. He pointed out that the **nature of production** in the **actual world** is **not**, as economists seem to suppose, **a case of C-M-C'**, of exchanging commodity (or effort) for money in order to obtain another commodity (or effort). That may be **the standpoint of the private consumer**. But it is not the **attitude of business**, which is **a case of M-C-M'**, i.e. of parting with money for commodity (or effort) in order to obtain more money."
- (Keynes, CW 1971)

A monetary theory of capitalist production

- <u>'Circuit' or 'cycle' **[Kreislauf] of money-capital**: a **monetary sequence** through **successive** stages</u>
- <u>**Two social relations**</u>: '**capital & labour**' vs '**commodity circulation**'
  - <u>**class divide**</u> btw capitalists and workers: buying & selling of labour power as **initial 'opening' exchange**, introducing production (flux => reflux)
  - <u>**internal exchanges**</u> among capitalists, **on the' final' commodity market**
- "Difficult to deal with money within one general theoretical framework"
  - in **the first** money is **not** a commodity: it is **pure credit** (in a trilateral relation)
  - in the **second** it can be found a "**valid, if limited, place for commodity money** as intermediary of exchanges"
- <u>Money is the '**universal equivalent**' but also a **means for** realising social capitalist relations (**macro-class command over 'labour'** by capitalists)</u>

*Money as finance or store of value**

- capitalists pursue the acquisition of **money as (abstract) wealth in general**
  - but in truth capitalists pursue **value**, of which money is **only one form**
  - in the **expanded spiral** of the entire cycle of capital
- in two cases, however, **money** can be **desired for itself**
  - (i) as a means to set in motion the productive process [flow]: **finance**
  - (ii) as a final form of wealth [stock]: **hoarding**
    - because of **uncertainty** there **may be** an accumulation of liquidity
- **initial exchange**: ‘money as capital’; money is a **debt** which ‘functioning capitalists’ owe to financiers
- **phase of circulation**: firms exchange among themselves or sell to the consumers; money as intermediary of exchange; money as **earning**
- in KI, chs. 1-3 + in KIII Marx analyses either **money as wealth** or **money in final circulation**. Not money as [ante-validating] the K-L exchange

Simple vs capitalist society

- in a hypothetical **‘simple’ society** the first exchange does not exist: **production can take place without any prior exchange**
- **‘a unified and general theory of money applicable to any type of society does not and cannot exist’.** Fn: ‘The [opposite] statement by de Brunhoff … should be understood in the sense that **the characteristics of money exchange proper to the phase of circulation are also encountered in non capitalist societies**.’
- corollary: the **only** true monetary economy with **generalised** exchange is capitalism, where banks finance firms’ wage bill: looking at the capitalist class as a unified whole, intra-class transactions cancels each other out
- **if money were itself a commodity, ‘the process would be turned upside down**’ / Benetti-Cartelier: ‘*If money is a commodity from the very beginning, we are back to barter – if money is credit, its value is undefined*’

*Different solutions to the issue of what is the nature of money in the various phases**

- **in circulation, money** may well be **'one commodity among others'**
  - the commodity **best suited** as an intermediary in exchanges
  - but it can be **substituted** by means of promissory notes (**IOUs**)
  - the **Mengerian story** of an historical process of selection describes the emergence of money in a simple society [i.e., a generalised barter]
- when the **(capitalist) production of commodities begins, money as a commodity cannot exist (before *its* production)**
  - money is generalised purchasing power, without being a commodity
  - it is valid and accepted promise of payment (credit) [=>of a 3° party!]
  - real wages are paid post-factum

Money as Marx saw it

- **industrial capitalists needs purchasing power, not gold as money**
  - but is not 'money as a commodity' the only true money? the only form of money capable of effecting definitive payments? only definitive money?
  - **these** parts of Marx's analysis concern the **practice of money markets:** he does **not** analyse a **'pure'** capitalist system*, where the only way money can flow into the circuit is through the [bank] financing of capitalist production
    - (**nota bene:* the 'good abstraction' from where to begin **vs** MMT, PK, other circuit.).
  - he rather looks at functions of money in an **open** economy with the **State**
    - where private money circulation intermeshes with the circulation of State money (either metal or paper)
    - the **State** establishes **legal money as dominant**, through taxes (Sismondi)
  - in an **open** economy there is the problem **of international settlements**: we are in the phase of circulation, **so 'money' may well be gold**

*Metal money and bilateral credit**

- it is certainly true that metal money is the only definitive money ‘if the money is legal money and if, **by virtue of international accords**, the only money accepted in international payment is gold. But if we wish to try **to reconstruct Marx’s thought on money**, we must probe beyond his explicit arguments to those aspects of his thought that refer to the case of **pure capitalism** in which only the forces of capital and labor are present’.
- Marx defines **credit the authentic money of capitalism**: (i) **commercial** (IOUs among firms); (ii) via an **intermediary** (banks multiplying reserves); (iii) **created ex nihilo** (banks in their capacity to create means of payment)
- this credit is analysed in final circulation. it is **endogenous**. Any amount of comms could be circulated through honoured promissory notes: ‘credit is a quite sufficient means of payment for a pure capitalist system to function.’
- **if all accounts are in balance, metal money is unnecessary**

*Wage and the value of money**

- **money wages** are paid in **advance** (vs. ‘realism’)
- **real wages** are obtained **ex post**, after living labour power has worked
- in a ‘household’ (or ‘simple’) economy the value of money is set as any other commodity (proportional to the labour contained) – but this is barter!
  - there may exists a demand for liquid reserves to be held
  - in a capitalist economy money is not similarly required as a permanent acquisition, rather as a **temporary loan** for the production cycle
- **dual ‘price’ of money**:
  - **btw financier and entrepreneur: the interest rate**. Nothing to do with labour content.
  - **btw entrepreneur and the market:** in a macro-circuit setting, what regulates it is the value of the labour power [bank finance => wage bill]

The value of (bank-)credit money

- **Money as capital**:
  - in the **opening** phase of the circuit, 'money is **exchanged against** one commodity only and that commodity is **labour power**'.
    - the only price is the **price of labour power**: how it is determined the wage? At a class level the wage is **regulated by the labour contained in the [subsistence] wage goods** => the (labour-)**value of money capital is the labour contained in the real wage of the working class**.
    - surplus value (**valorisation**) can **only** arise from the use of labour-power, since this is the only **external exchange**; the formation of [new] value comes from the [living] labour spent into the (net) product.
    - = 'number of hours of labour in real wages lower than the number of hours contained in the product achieved'
  - in the final circulation (**closure**): only **redistribution of labour hours**
  - for the capitalist class the utilisation of fixed capital is not a cost

Money and Crisis

- the **sequence of exchanges may be broken** if somebody sell without buying afterwards: **interruption in the chain of exchanges** (vs. Say’s Law)
- => ‘liquidity preference’ => demand declines
  - why? (i) uncertainty, behind which (ii) deep-rooted reasons in the social structure
- **3 ways** of looking at this:
  - **Keynes’** *General Theory*: constant money supply, liquidity preference, some firms do not recover outlays, **failure of the circuit to ‘close’**
  - **French monetary circuitists**: not so much for liquidity preference, firms decide to reduce the level of their productive active, **failure to open the circuit**
  - **Marx: a break in the circuit**; an approach which embraces the first two
- for AG not radically opposed, there is **not** a substantial theoretical difference

FB page: *Economisti di Classe*

Riccardo Bellofiore (with Giovanna Vertova)