

Value of Money and Money as Wealth :

An extension of the Theory of Value-Form

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Abstract

A key focus of my research has been Marx's theory of value-form and its development. I try to extend the theory of value-form on the following two points: the determination of money-value and the nature of money as wealth on the ground of the theory of value-form. To make these points clear, I consider the history of economic thoughts and the formation-process of Marx's theory of value-form, especially focusing on the relation between commodity and commodity-owner, and the relation between the labour theory of value and the theory of value-form.

In this paper, the formation-process of value and value-form theory of Marx is considered from *Manuscript 1857-58* to current edition of *Capital*. And the most discriminative method of Marx is that the analysis of commodity and the exchange process of commodities by commodity owners are divided methodologically. This method come from Marx's cognition, that is, commodity owner is the personification of commodity as economic substance.

In this method Marx deal with the relationship between relative value and absolute value, or value and cause of value as a problem of the relationship among value, value-form, and substance of value.

In this paper Marx's method is compared with Uno's one. Uno includes commodity owner and his desire in the analysis of commodity. Accordingly I adopt Uno's method for the theory of value-form.

In conclusion of this paper is as below.

Firstly, value of money is supported by the pricing of commodity owners. Pricing by commodity owners transfers exchangeability of commodities to money. As a consequence, money occupies the purchasing power in the market.

Secondly, in the theoretical process of genesis of money, hoarding of value is the one of the most important motivations in exchange as well as desire for consumption.

Thirdly, gold is the most suitable commodity for hoarding of value. The material is immortal. And according to Uno's method of value-form theory, commodity owners select gold as money. So general value-form (Form III) is not indispensable form for value-form theory. It is only a tool for explanation. Marx and Uno use linen for the position of general equivalent in Form III, and change linen to gold as general equivalent in money-form (Form IV), that is, price. But if we include the motivation of hoarding, gold occupies directly general equivalent position.

Lastly, in this paper, the factors of commodity-owner and motivation of hoarding are introduced in the analysis of money. From this point of view, the relationship of

quantity of money and the prices of commodities are not proportional, because the function of hoarding is the inner nature of money. Even in the case of increase of money, people don't have necessity of use of the additional money. They can hoard additional money as wealth or for their future. So increase of money is not proportional growth of demand. Such kind of consideration offer a criticism on the quantity theory of money. (JEL : B)

keyword

Value, Value-form, Value of Money, Marx, Kozo Uno

I. Introduction

Most current crises have their origins in the systems of money and credit. Money and credit are often cited as the most serious problems in the world economy, today.

A key focus of my research has been Marx's theory of value-form and its development. In Japan, after World War II, the theory of value-form was one of the most popular subjects for Marxian economists¹. Today, the interest in Marxian economics on this subject is relatively low in Japan².

In this paper, I will clarify the value of money and the nature of money as wealth, on the base of the theory of value-form.

II. Two Questions about Marx's Theory of Value-Form

As is well known, the theory of value-form originates in Marx. His theory of value-form explains the meaning of price, and essence of money.

In the theory of value-form, the value-expression of commodity and its development are shown logically. The point which must be recognised is that this theory is not a history of the genesis of money but rather a pure analysis of the genesis of money. Marx describes in 'Preface' of *Capital*, as follows:

In the analysis of economic forms, moreover, neither microscopes nor chemical reagents are of use. The force of abstraction must replace both.' (Marx [1996], p.8)

And he also explains the purpose of his theory of value-form: 'Here, however, a task is set us, the performance of which has never yet even been attempted by bourgeois economy, the task of tracing the genesis of this money-form, of developing the expression of value implied in the value relation of commodities, from its simplest, almost imperceptible outline,

¹ Leading the controversy were Kozo Uno, and Samezo Kuruma.

² One of the orthodox economists, Katsuhito Iwai, also joined this argument (Iwai [1993]).

to the dazzling money-form.’ (Marx [1996], p.54)

In this quotation, ‘money-form’ means ‘price’, however, the existence of price of commodity premises that of money, therefore the subject of the theory of value-form includes the investigation of the essence of both price and money.

I will also deal with two important problems from Marx’s theory of value-form. Firstly, I will reflect on the relationship between the commodity and the commodity-owner of Marx. Through this consideration, we introduce another exchange-motivation of the commodity-owner into the theory of value-form. Hereby we clarify one of the most important aspects of money in the theory of value-form, that is, money as a holder of general wealth. Secondly, I will consider the significance and characteristics of Marx’s theory of value-form. With this, I will clarify the reasons why the labour theory of value is derived through the theory of value-form and the reason why Marx exclude the commodity-owner from his theory of value-form.

Considering such problems with the value-expression of commodity, it becomes clear that there is no direct relation between labour theory of value and the analysis of value-expression of commodity. And reconstructing the theory of value-form without the assumption of labour theory of value, we can approach the determination of money-value on the ground of the theory of the value-form.

III. The Doctrine of Commodity-Money

A. Commodity and Exchange

Marx supported the doctrine of commodity-money, arguing that money is originally a special commodity which is accepted by all commodity-owners. At the time of his writing, many developed economies were progressing toward the gold standard. Peel’s Act, a symbolically significant step towards a gold standard for the UK, was enacted in 1844. Around that time, Marx had begun to study political economy, namely, the so called ‘classical school’: Adam Smith (1723-1790, Marx [1975a]), James Mill (1773-1836, Marx [1975b]), etc. And during his lifetime, the gold standard system of Great Britain was developing and turned into an international gold standard system.

The commodity-money doctrine was actually the mainstream faction of economics behind the gold standard system and this period was the golden age of the gold standard. However, the deeper meaning is contained in his doctrine of commodity-money.

In his *Outline of the Critique of Political Economy (Rough Draft of 1857-58)*, he states the following:

Money does not originate by convention, any more than the State does. It arises from exchange, grows naturally out of exchange, is a product of exchange (Marx [1986], p.102).

From this quotation, we can find that Marx takes particular note of the spontaneous genesis of money. But the idea of the spontaneous genesis of money is opposite to the doctrine of money-law. Aristotle says in his *Nicomachean Ethics* (B.C.350), 'Money has become by convention a sort of representative of demand; and this is why I has the name "money" - because it exists not by nature but by law' (Aristotle [1984a]).³ Nicholus Barbon (1640-1698) also asserts the inevitability of money by law (cf.Barbon [1690]). These theories base the origin of money on convention or law.

Historically, the doctrine of money-law supported the exclusive privilege right of king and lord on the issuing of money by lords and they often debased coin.

But the most influential evident was the excessive issue of credit-money by John Law (1671-1729), which had destructive influence on the economy of France. Anne Robert Jacques Turgot (1727-1781) criticizes John Law's Economic Policy. Turgot adopted the doctrine of commodity-money to refute Law's monetary policy.

Marx follows this philosophy on money from Turgot; that is the meaning of 'Money does not arise by convention' in the quotation.

Marx believes that money was inevitably produced out of exchange like as Aristotle's *Politics*, not *Ethics*. As is well known, this idea is the opposite of the doctrine of money-law, as mentioned above.

The difference is derived from how the relation between money and state is recognised. For the doctrine of commodity-money, state does not participate in the generation of money. In according to Marx's idea, however, the important point for essence of money is in the independency of money at its genesis from the state; he thinks money is generated spontaneously out of exchange-process.

B. Methodology of Commodity and Exchange

In order to understand Marx's ideas, we must take into account the philosophy of historical materialism, and this philosophy is a key determinant of Marx's theoretical formation of political economy. He says about the relation between thing and person, 'It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness' (Marx [1987], p.263), in his 'Preface' in *A Contribution to the Critique of Political Economy* 1859, (Marx [1987]).

This is one of the propositions of historical materialism, and such recognition in *Contribution* (1859) is inherited in *Capital* (1867), that is, 'the persons exist for one another

³ Aristotle 1984a, p.1788. However, as well know, Aristotle has the opposite side opinion, namely he says 'In the first community, indeed, which is the family, this art obviously of no use' (Aristotle [1984b], p.1994), and 'When the inhabitants of one country became

merely as representatives of, and, therefore, as owners of, commodities. In the course of our investigation we shall find, in general, that the characters that appear on the economic stage are but the personifications of the economic relations that exist between them' (Marx [1996], p.95).

For Marx, a commodity-owner is a personification of commodity, equally a money-owner is a personification of money and a capitalist is a personification of capital. Such idea reflects in the different way of analysis commodity and commodity exchange.

Marx separates 'Chapter 1 Commodity' and 'Chapter 2 Exchange' in the current edition of *Capital*. The reason why he divides these two fields, is shown in *Contribution* (1859) and first edition of *Capital* (1867) (Marx [1959]).

In *Contribution* (1859), these two themes are discussed together in 'Chapter 1 Commodity'. Namely these two chapters were not divided yet, but the analysis in *Contribution* was similar to that in *Capital*. In *Contribution* (1859), Marx explained the relation between the analysis of commodity and the consideration of exchange-process, that is, commodity-owner in exchange process is 'the conscious representatives of the exchange-process'. So, after analyzing commodity itself, the exchange-process of commodities is considered in *Contribution* (1859).

Marx's explanation is as below:

So far two aspects of the commodity -- use-value and exchange-value -- have been examined, but each separately. The commodity, however, is the direct unity of use-value and exchange-value, and at the same time it is a commodity only in relation to other commodities. The exchange process of commodities is the real relation that exists between them. This is a social process which is carried on by individuals independently of one another, but they take part in it only as commodity-owners; they exist for one another only insofar as their commodities exist; they thus appear to be in fact the conscious representatives of the exchange process (Marx [1987], pp.282-283).

This idea was shaped in *Capital* clearly; he divided such different way of considerations into two independent sections, namely 'commodity' and 'exchange' in 'Chapter 1 Commodity and money' in the first edition (1867), and in the second edition (1872, Marx [1969]), these two sections became two chapters, as mentioned above.

Additionally, Marx's theory of value-form firstly appears in the first edition of *Capital, Book I* in 1867, and is corrected in second edition in 1872. The first edition included the same explanation of methodological differences in commodity and exchange-process as

more dependent on those of another, ...money necessarily came into use' (Aristotle [1984a, p.1995] in his *Politics* B.C.350. Marx appreciates this idea, and the idea which money generated between countries is not suitable for the doctrine of money-law theory.

Contribution. But this explanation was eliminated from the second edition of *Capital* (1872)

The establishment of value form theory is the reason to eliminate such kind of explanation, because the relationship of value and use-value is indispensable in the theory of value-form included in the analysis of commodity; however, he had also considered dividing 'Chapter 1 Commodity' and 'Chapter 2 Exchange' from the second edition of *Capital* (1872) on the ground of same methodology as Contribution (1859) and the first edition of *Capital* (1869). Marx's belief that the analysis of commodity and consideration of exchange-process by commodity-owner should be divided methodologically was kept in the second edition.

In the current edition of *Capital*, the theory of value-form is included in 'Chapter 1 Commodity'. So Commodity-owner is basically excluded from the theory of value-form by Marx, consequently he analyzes commodity without commodity-owner.

C. Money as wealth

In the Current edition elementary form of value (Form I) is shown 'x commodity A = y commodity B' or '20 yards of linen = 1 coat'. Expanded form of value (Form II) is shown as follows.

$$\begin{aligned} z \text{ commodity A} &= u \text{ commodity B or} \\ &= v \text{ Commodity C or} \\ &= w \text{ commodity D or} \\ &= x \text{ commodity E or} \\ &= \& \text{ c.} \end{aligned}$$

The general form of value (Form III) is introduced from the converse relation with the expanded form of value (Form II). All commodities express their value by the single commodity A. Therefore, commodity A becomes the general equivalent.

In the case of the current edition, the next or last form is the money-form. That is, all commodities express their value by gold instead of commodity A.

But in the theory of value-form of the body text in first edition, the last form is 'Form IV' in place of money-form. The reason is clear. Not only commodity A but also all commodities can have the expanded form of value, so a great number of converse relations are introduced. Therefore, money cannot be introduced in the theory of value-form, and it is produced in 'Chapter 2 - Exchange'. Therefore the purpose of theory of value-form in the body text of the first edition is limited to the clarification of the relation value and value-form.

On the other hand, the theory of value-form in the appendix of the first edition is inherited in second edition of *Capital*. And the theory is basically same as that in the current edition. Marx says 'Chapter 1 Section 3 (the Form of Value), has been completely revised, a

task which was made necessary by double exposition in the first edition' (Marx [1996], p.12) in the 'Afterword to the second German edition'.

Japanese Marxian Economist Kozo Uno (1897-1977), changed the Marx's method considerably.

Uno didn't distinguish between method of commodity and exchange process. He includes the commodity-owner as an indispensable factor for the explanation of commodity 'Chapter 1 Commodity' in his *Principles of Political Economy* (1977).⁴ Therefore, his theory of value-form centres on commodity with a commodity-owner who has his own desires. Therefore his theory of value-form becomes the logical description about the behaviour of commodity-owner. Within this paradigm, he developed an interesting theory of value-form.

By the way, Marx's deduction from 'total or expanded form of value (Form II)' to 'general form of value (Form III)' is unstable, because Marx suggests general-form is contained within the expanded-form. So general-form of value always returns to the expand-form of value in Marx's theory.

As I mentioned before, first edition of *Capital* has two types of different theories of value-form theory, in body text and appendix.

Theory of value-form in body text has distinctive Form IV . Form IV is not money-form, but it includes many general equivalents, namely the form denies general-form of value (Form III). The reason is that Marx introduce general form by reversing the total or expanded form (Form II). But every commodities have total or expanded value form. Namely all commodities express their value by all other commodities. Accordingly reversing total or expanded form, many commodities produce many general equivalents. So in the theory of value-form of body text in first edition of *Capital*, money-form is not established.

Although money-form is established in theory of value form in appendix, and such theory inherited in second edition. But methodological problem remains in Marx's theory of value-form

On the other hand, if we consider commodities with commodity-owners in line with Uno's theory, the general-form of value cannot reverse to the expanded-form, because according to Uno's methodology the general equivalent in the general form of value are selected as general equivalent by commodity-owner. In this case, the desires of commodity-owners participate in the process of money-genesis. Linen is selected as general equivalent by other commodity owners. So that is not return to total or expanded form.

However one important point is left unsolved in Uno's theory, that is, how the only one universal equivalent is produced in the commodity-world and why gold was selected as

⁴ Kuruma rejected the methodology of Uno's (Kuruma 1977).

money.

Uno says 'When every commodity-owner adopts this so-called "extended value-form" of Marx, however, there necessarily emerges a commodity that is always found on the side of the *equivalent form of value*.' (Uno [1977], p.7)

According to Uno's theory, one commodity 'necessarily emerges' as general equivalent, however the reason is not specified. Uno continues 'When all commodity-owners express the value of their commodity by various quantities of use-value of a *general equivalent*, the use-value of the latter is no longer regarded as the object of direct consumption.' (Uno [1977])

Uno points out the nature of the general equivalent, namely it is not desired as the object of consumption by commodity-owners. In this quotation, Uno regards only consumption as the motivation of exchange. If so, the commodity, that is ultimately selected as general equivalent, must be a commodity for daily use, such as tea, rice, butter or similar. And another question which results is why and how such commodity in the general equivalent form of value is made transferable to gold in the money-form of value. Gold is not a commodity for everyday use.

Therefore I think Uno's idea that the desires of commodity-owners are included into theory of value-form has to be appreciated, but Uno's idea of the desires of commodity-owner is too limited. I think the desire for hoarding must be added as the motivation of exchange in the theory of value-form.

A commodity-owner has the expanded form of value in the usual state. An elementary form of value is a factor of the expanded form of value. And Uno's assumption which commodity-owner exchanges his all commodity for consumption at a time is not usual. A commodity-owner wants to exchange one part of his commodity for the commodity suitable for hoarding. Almost all commodity-owners need a commodity suitable for hoarding for their expenses in the future or keep as wealth. Gold is the most suitable commodity for this role. Therefore gold becomes the general equivalent for all commodity-owners, namely all commodity-owners express their value of commodities holding with gold. Hereby gold becomes money.

If we regard the theory of value-form as the theory which resolves the riddle of money in essence, we have to include the motivation of hoarding in the theory of value-form, hereby, we can explain another aspect of money, namely hoarding of value, or money as wealth essentially.

Uno continues as follows:

It is natural then that a commodity possessed of use-value that is most suitable for this function tends to monopolise the position of a general equivalent. Of all the precious metals gold in particular possesses this quality, and hence it becomes the

general equivalent or money. (Uno [1977], p.7)

If we recognise the importance of hoarding as an inner nature of money, from this point of view, the relationship of quantity of money and the prices of commodities are not proportional. Even in the case of increase of money, people don't have necessity of use additional money at all. They can hoard additional money as wealth or for their future. So increase of money is not proportional growth of demand. Such kind of consideration offer a criticism on the quantity theory of money.

IV. Value of Money

A. Value and Expression of Value

In his *Capital*, Marx says, 'The first chief function of money is to supply commodities with the material for expression of their value' (Marx [1996], p.104). The theory of value-form is the analysis of the expression of value from the view point of commodity-side, while the theory of the measure of value is the analysis of the function of money to supply the material (gold) for the expression of value of commodity from the view point of the money-side. These two subjects make a pair for Marx.

By the way, Sir James Steuart (1713-1780), focusing in detail on the role of money for accounting. Steuart describes the difference between money of account and coin, and call the money of account 'money' in his primary work, *An Inquiry into Principles of Political Economy* (1767), as follows:

Money of account therefore, is quite a different thing from money-coin, and might exist, although there was no such thing in the world as any substance, which could become an adequate and proportional equivalent for every commodity. (Steuart [1998], p.214)

Money, strictly and philosophically speaking, is, as has been said, an ideal scale of equal parts (Steuart [1998], p.217).

Steuart's belief is that money does not need any kind of substance for the function of account or measure of value of commodity. Hence he points out the *florin banco* issued by the Bank of Amsterdam, and the symbolic money of Angola in African coast *macut* as the most useful money for ideal scale.

On the other hand, we can find in his *Principles* (1767) an explanation of value. He takes account of the time to produce commodity, the value of the workman's subsistence and necessary expense, and the value of the materials into the determination of value, which means cost of production is the main cause of value of commodity. This theory includes labour theory of value and cost theory of value, so it is very similar with value theory of classical school.

As an aside, I researched one of his manuscripts focusing on the concept of money, *Letter to my Lord Barrington* (1763, Okuyama [2004]), during a visit to Edinburgh University. In this manuscript, Steuart says on the definition of value as follows:

Value is a relative term; there is no such thing an absolute value; that is to say, there are not two Substances in the universe, different in themselves, which can be so proportioned in their parts, as to be permanently of the same value at all times.

The fact is undoubted, and the reason is plain. Value is the estimation, mankind put upon things and that estimation, depending upon a combination of their own wants, fancies and even caprices, it is impossible it should be permanent. (Okuyama [2004], p.51)

In this manuscript, Steuart denies the existence of absolute value and this recognition serves as the backbone of Steuart's theory of ideal money. This definition of value in this manuscript (1763) is more suitable than that in *Principles* (1767) for his concept of the symbolic account money. And, we can also find the same definition of value in this manuscript (1763) in his *Dissertation upon the Doctrine and Principles of Money applied to the German Coin* (1761Steuart [1995], p.175). However this treatise does not yet complete the theory of ideal money.

Steuart recognizes value is relative, so supply, demand and competition of both side determine the value of commodity. But he assumes the cost and labour are main causes of determinant of value.

He criticizes the quantity theory of money of Hume. Because the cause of rising price is not increase of money, but growth in demand. For Steuart, Money and demand must be separated.

And he recognizes the bank note of Bank of Amsterdam, as below.

I have said, that the sum of credit, written in the books of the bank, is in proportion to the quantity of bank money necessary for circulating the trade of Amsterdam. Consequently, as this circulation increases, the demand for bank money must increase also. (Steuart [1998], p.319).

Namely, quantity of bank note of Amsterdam is adjusted by the commodity market. So his criticism against the quantity theory of money is very clear.

By the way, Samuel Bailey (1791-1870), in his *A Critical Dissertation on the Nature, Measure, and Causes of Value* (1825, Bailey [1967]), thinks that value is an effect produced on the mind and he therefore criticises the labour theory of value by David Ricardo (1772-1823). And Bailey denies the existence of absolute or intrinsic value, and defines value as the relation between two commodities, namely the proportion between the rate of exchange. He then establishes the pure concept of relative value. These points are very similar to those

found in the Manuscript by Steuart.

As is well known, on the ground of his notion of relative value, Bailey demonstrates that the absolute measure of value cannot exist as measure of value. Bailey adopt relative value as the definition of value, but he distinct cause of vale from value. And he adopt cont theory of value for the free competitive commodity.

On the problem of vale and cause of value, or absolute value and relative value, Marx deal with the problem of value, substance of value, and value form as we see below.

B. Theory of Value-Form and Labour Theory of Value

In *Capital*, Marx says ‘in order to discover how the elementary expression of the value of a commodity lies hidden in the value-relation of two commodities, we must, in the first place, consider the latter entirely apart from its quantitative aspect.’ (Marx [1996]. p.59).

Why does Marx neglect the quantity aspect of value in the consideration of expression of value? To understand this problem, we have to reflect on the process Marx went through to form the theory of value and value-form.

In his *Contribution* (1859), we can find the analysis of the expression of value. This theory looks similar to the theory of value-form; however Marx does not regard the expression of value as value-form of commodity.

By the way, Marx distinguishes the word ‘value’ from ‘exchange value’ in the current edition of *Capital*, and ‘exchange value’ is the same meaning as value-form. Namely, ‘value’ is the intrinsic and invisible existence in each commodity; on the other hand, exchange value is the visible form, or the appearance of value in relation between two commodities or a commodity and money.

Contribution (1859) does not distinct between value and exchange value, therefore the two factors of commodity are called use value and exchange value. As is well known, these are called use value and value in *Capital*. This usage is consolidated in first edition of *Capital*, and become to be used more strictly from the second edition to the current edition. Theory of value-form starts from the first edition of *Capital*.

Marx reaches the idea which regards expression of value as value-form of commodity in *Manuscript 1861-1863 (Theories of Surplus Value* Marx, Karl [1989a, b]). Originally, the problem of quantitative aspects of relative value was brought up by Ricardo.⁵ And Marx was faced with the difficult issues from the arguments of value between Ricardo and Bailey when writing *Manuscript 1861-1863*. That is the problem of the relation between absolute value and the relative value, and the two aspects of relative value.

That Marx also adopts the labour theory of value like Ricardo is widely known.⁶ Therefore the criticism by Bailey against the value theory of Ricardo was deterministically

important for Marx

Bailey is famous as a most intensive critic against the value theory of Ricardo; that is to say, he denied absolute value and asserted relative value. However, it is not so easy to understand the relation between Bailey and Ricardo, because, Ricardo also supported one kind of relative value.

For Ricardo, the definition of relative value is 'The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour.' (Ricardo [1951], p.12)

Ricardo's relative value is the relative quantity of labour which is necessary for its production. On the other hand, Bailey's definition of relative value completely differs from that of Ricardo. Bailey thinks that the concept of value belongs to the feeling of mind. In his *A Critical Dissertation on the Nature, Measure and Causes of Value* (1825), he writes 'It is only when objects are considered together as subjects of preference or exchange, that the specific feeling of value can arise' (Bailey [1967], p.2), and 'Value denotes consequently nothing positive or intrinsic, but merely the relation in which two objects stand to each other as exchangeable commodities.' (Bailey [1967], pp.4-5).

Value for Bailey is in the people's mind, namely the evaluation by each person in an exchange. Since people are aware of the worth of goods when they compare goods in exchange, value cannot but turn into relative value. Therefore, value is a relational concept in exchange, namely the exchange rate of goods.

Now there are two definitions of relative value, and Marx considers this problem as follows:

It would be the same if they were unequal ones or $A > 4 B$, $A < 4 B$. In all these cases they are, as far as they are values, only different or equal in quantity, but they are always quantities of the same quality. The difficulty is to find this quality. (Marx [1989b], p.346)

The phrase 'The difficulty is to find this quality' is important for Marx. He developed this aspect of relative value into the theory of value-form. He considers Ricardo's idea on relative value in his *Manuscript 1861-1863* and states:

'Relative value' here means nothing other than the exchangeable value as determined by labour time. But relative value can also have another meaning,

⁵ 'Two commodities vary in relative value, and we wish to know in which the variation has really taken place' (Ricardo [1951], p.17).

⁶ The difference between Marx and Ricardo is the social condition which labour produce value, namely Marx needs the capitalistic production for this condition.

namely, if I express the exchange value of a commodity in terms of the use value of another, for instance the exchange value of sugar in terms of the use value of commodity. (Marx [1989a], p.397).

He discusses two types of relative values in the *Manuscript 1861-1863*. On the other hand, he also criticises Ricardo's idea of relative value, that is, 'Ricardo is rather to be reproached for often losing sight of this "real" or "absolute value" and only retaining "relative or comparative value" (Marx [1989a], p.399).

After all, Marx makes three concepts on value: absolute value and two relative values in *Manuscript 1861-1863*.

The notion of absolute value is developed in the first edition of *Capital*. But the famous phrase, which is called 'a kind of logical distillation' by Eugen Böhm-Bawerk, (Böhm-Bawerk [1975], p.11) 'If then we leave out of consideration the use-value of commodities, they have only one common property left, that of being products of labour...' (Marx [1996], p.48) is not found in his explanation on value in the first edition of *Capital*. Marx [1959], S.3. In the first edition he analyses the relation: 1 quarter corn = x cwt. Iron, and he finds the equal quantity of value exists in something common to both. However, the distillation process which we mentioned above does not follow as in the current edition.

Marx's theory on value in the current edition says that according to the abstraction of use-value from a commodity, the useful labour is also abstracted, and the residues are the human labour and its crystals in commodity. The former is the substance of value and the latter is the value. He says, 'If we abstract from their use value, there remains their Value, as defined above' (Marx, [1996], p.48), that is, so called distillation method. And value is defined the congregation of homogeneous human labour. Such way of proof on the labour theory of value firstly emerges in second edition of *Capital* (1872).

The theory of value-form is advanced in collaboration with the labour theory of value in Marx from the *Manuscript 1861-1863* to the *Capital*, and like wise from the first edition to the second edition of *Capital*.

The theory of value-form is established in the first edition of *Capital*; however, this is different from that of the current edition. In the first edition the theory of value-form is treated as the qualitative aspect of relative value (Marx [1959], S.15). After the consideration of quantitative aspect of relative value, Marx explains the theory of value-form. The two aspects are treated as a pair problem of the same relative value in the first edition. Such idea is that which succeeded from the *Manuscript 1861-1863*. But on and after the second edition, the former is absorbed into a small section on the elementary value-form.

By the way, in the first edition, there are two value-form theories, which have different conclusion: the theory of value-form in body text, and that of appendix, as already noted.

The most important difference is the name of last value-form. In appendix that is 'The Money-Form' like the current edition, but in body text that is 'Form IV'. 'Form IV' is the value-form of converse relation with a great number of 'Form II' (Marx, 1959, S.34).

In the first edition of *Capital*, value-form is treated as the qualitative aspect of relative value. Additionally, in the body text, Marx uses the words 'form of relative value' instead of 'form of value', for example, 'I First or elementary form of relative value' (Marx [1959], S.15).

Theory of value form is the answer of Marx to the problem of absolute value and relative value, namely the relation between labour theory of value and appearance of intrinsic value. Labour theory and theory of value-form is advanced with close connection by Marx.

C. The Extension of Theory of Value-Form

Marx criticises the value theory of Aristotle as follows:

Aristotle therefore, himself, tells us, what barred the way to his further analysis; it was the absence of any concept of value. What is that equal something, that common substance, which admits of the value of the beds being expressed by a house? Such a thing, in truth, cannot exist, says Aristotle. And why not? Compared with the beds, the house does represent something equal to them, in so far as it represents what is really equal, both in the beds and the house. And that is – human labour. (Marx [1996], p.70).

However this explanation about Aristotle is not precise. Aristotle says the following:

Money, then acting as a measure, makes goods commensurate and equates them... Now in truth it is impossible that things different so much should become commensurable but with reference to demand they may become so sufficient. (Aristotle [1984a], p.1789)

From this quotation, we can find that Aristotle points out that, things different become commensurable with reference to demand. With this idea he reaches the essence of money as measure of value without the assumption of theory of labour value. Bailey also deal with the expression of value and the money as measure of value irrelevant to labour theory of value. Turgot explains the expression of value and its development in detail like that Marx's theory of value-form, however, he takes into account not labour as single cause of value, but multiple causes of value, namely desire, labour, etc. (cf. Turgot, 1766 and 1769, Turgot [1977])

Kozo Uno, drastically change the method of Marx. As mentioned above, by criticizing the dichotomous approach to commodity and exchange by commodity-owners, he considers the commodity with commodity-owner and his desire. Additionally, he transfers the explanation of labour theory of value from the theory of commodity to the theory of production process.

Hence, his theory of value-form is explained without the assumption of labour theory of value.

As mentioned above, Uno studies the subjective evaluation by commodity-owners to the value of commodity precisely. Even if we receive the objective value determined by labour, the evaluation of value by commodity-owners must be subjective and unilateral, because the individual in the market cannot know the labour required for production.

Now, in the expression of value of linen by coat, the coat stands on the position of the equivalent form, and linen expresses its value by the coat, hereby the coat has the direct exchangeability to the linen.

Marx explains the reason is that the coat becomes the equivalent on the ground of the social character of labour. Uno explains that the reason 'the coat is nothing more than a value-reflecting object in the mind of the linen-owner' (Uno [1977], p.6). But his word is also not clear.

If we adopt the Uno's method, which includes the exchange-process by commodity-owner in theory of value-form and excludes the assumption of labour theory of value-form, we can reach different conclusion from Marx. That is, the direct exchangeability of equivalent commodity comes from the proposal of exchange of the commodity-owner standing on the relative form of value, in this case, the owner of linen.

Value-form is the form for proposal of exchange by the linen commodity-owner with the expression of the value of his commodity. The proposal of exchange is made by the commodity-owner of linen to the many commodity-owners of coat.

20 yards of linen = 1 coat, or 20 yards of linen are worth 1 coat.

In this case linen owner is assumed to be one person while the number of commodity-owners of coat is unspecified, because for the owner of linen the specification of the trading partner is insignificant. For the linen owner, the important point is to exchange to coat, he want to exchange his linen with any person who owns coats.

Therefore through the expression of value, we recognise the value-form as the subjective unilateral proposal of the bargaining point. Hence the equivalent commodity (coat) is given the direct exchangeability to the commodity (linen) by the owner, who proposes to exchange. That is the reason why the commodity-owner who is required to exchange obtains the right to determine the exchange.

At the same time, the owner of equivalent commodity is given the exchangeable power of the quantitative aspect, because the linen owner proposes the exchange to coat owner at the rate of 20 yards of linen = 1 coat. The coat owner can exchange or does not exchange with linen on the condition of 20 yards of linen = 1 coat. But if he wants to exchange, he always gets 20 yards of linen with his 1 coat.

As mentioned above, evaluation of value is done subjectively, and the unilateral proposal of linen owner gives the power of the exchange to the coat owner. Linen as a commodity originally has the exchangeability and the power of exchange as value. However through the purpose to exchange to the owner of coat by linen owner, the right of exchange transfer from the linen owner to coat owner.

In the same way, money acquires purchasing power through the expression of value by all commodity-owners. Commodity-owners legitimise the purchasing power to money. Money owner always can buy commodities whenever he wants, and commodity owners are waiting for the time to sell. In the case of gold money, the subjective evaluation of value by all commodity-owners, support the value of gold money. And in the case of fiat money, the illusion of commodity-owner in the market supports the value of money.

Marx says in *Capital* 'The value form must therefore not only express value generally, but also value in definite quantity' (Marx [1996], p.63). However, the theme is the 'Quantitative definition of Relative value' and its contents are influenced by the exchange-relation in the change of the labour requirement for production of the commodity. In this theory, he assumes the equivalent-labour in exchange. For Marx, the value of money is determined by the labour theory of value before the theory of value-form.

However the value of money is not the embodied by labour itself, but the purchasing power in general, so as mentioned above, the evaluation of commodity-owner plays an important role in determination of value of money.

Conclusion

In this paper, the formation process of value and value-form theory of Marx is considered from *Manuscript 1857-58* to current edition of *Capital*. And the most important method of Marx becomes clear, that is, the analysis of commodity and the exchange process of commodities by commodity owners are divided methodologically. This method come from Marx's cognition, that is, commodity owner is the personification of commodity.

In this method Marx deal with the relationship between relative value and absolute value, or value and cause of value as the problem of relationship among value, value-form, and substance of value.

Marx's method analysed in comparison with Uno's one in this paper. Uno' method is different from Marx, and he includes commodity owner and his desire in the analysis of commodity. I adopt Uno's method.

In conclusion, as stated below.

Firstly value of money is supported the pricing by commodity owner. Pricing by commodity owners transfers exchangeability of commodities to money. As a consequence,

money occupies the power to buy in the market.

Secondly in the theoretical process of genesis of money, hoarding of value is the one of the most important motivations in exchange as well as desire for consumption.

Thirdly, gold is the most suitable commodity for hoarding of value. The material is immortal. And according to Uno's method of value-form theory, commodity owners select gold as money. So general value-form of value (Form III) is not indispensable form for value-form theory. It is only a tool for explanation. Marx and Uno use linen for the position of general equivalent in Form III, and change linen to gold as general equivalent in money-form, that is, price. But if we include the motivation of hoarding, gold occupies directly general equivalent position.

Lastly, in this paper, the factors of commodity-owner and motivation of hoarding are introduced in the analysis of money. From this point of view, the relationship of quantity of money and the prices of commodities are not proportional, because the function of hoarding is the inner nature of money. Even in the case of increase of money, people don't have necessity of use additional money. They can hoard additional money as wealth or for their future. So increase of money is not proportional growth of demand. Such kind of consideration offer a criticism on the quantity theory of money.

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