

The social relations of money as universal equivalent: a response to Ingham

Costas Lapavitsas

Abstract

In a recent debate in *Economy and Society*, Ingham criticized Marxist theory of money on the grounds that it relates money to commodities through the labour theory of value, while ignoring credit money. Ingham suggested instead that money is constituted by social relations characteristic of credit, namely relations of ‘promise to pay’. Drawing on Marx, this article shows that, *pace* Ingham, it is necessary theoretically to relate money to commodities. Money is indeed constituted by social relations, but these are commercial relations among ‘foreign’ commodity owners, not credit relations. The social relations of money are successfully captured by Marx’s concept of the universal equivalent, when that is interpreted as monopoly over the ability to buy. In this light, both commodity and credit money are forms of the universal equivalent, but qualitatively different from each other.

Keywords: Theory of money; Marx; barter; commodity exchange; labour theory of value; post-Keynesianism.

Introduction: the social relations of ‘money in general’

The debate between Zelizer (2000) and Fine and Lapavitsas (2000) in the pages of *Economy and Society* refers to the conceptualization of money. Zelizer rejects the theorizing of money by neoclassical economics (and some sociology), and claims that the concept of ‘money in general’ is invalid. In

Costas Lapavitsas, Department of Economics, School of Oriental and African Studies, University of London, London, UK. E-mail: cl5@soas.ac.uk

contrast, Fine and Lapavistas defend the concept of ‘money in general’ and analyse it from a Marxist perspective. Intervening in the debate, Ingham (2001: 305) finds both sides in need of ‘untangling’, despite also ‘strongly agreeing’ with Fine and Lapavistas on the main issue in contention. In particular, he criticizes Fine and Lapavistas for drawing on Marx’s work, which he considers incapable of supporting a theory of ‘money in general’. Complicating things further, Ingham (2001: 305) also declares himself ‘at odds with Fine and Lapavistas’s interpretation of Marx’s conception of money’. For Ingham, in short, Fine and Lapavistas are right to stress the importance of ‘money in general’ but wrong to rely on Marx, whom they misinterpret to boot.

It is notable that Ingham rejects Fine and Lapavistas’s analysis without properly getting to grips with it. His true aim is to present an alternative theory of ‘money in general’, associated with the German Historical School and post-Keynesianism. Neglect of the alternative, apparently, led Fine and Lapavistas (and Zelizer) to focus excessively on commodity money, while ignoring credit money and disregarding the social relations inherent to money as ‘promise to pay’. The charge of neglect is surprising, since one of the disputants has extensively discussed this alternative theory, in places even mentioned in the original exchanges (Lapavistas and Saad-Filho 2000; Itoh and Lapavistas 1999: chs 2, 10). To avoid covering the same ground, therefore, Ingham’s alternative approach is recapitulated in the ‘Money as a unit of account...’ section of this article and weaknesses are identified of which he seems unaware. These weaknesses arise precisely because of denying the connection between money and commodities.

The focus of this article, however, is on the positive aspect of Ingham’s intervention, namely his claim that ‘money in general’ is ‘constituted by *social relations*’ (2001: 305, emphasis in original). This is an important insight, except that the social relations involved are not those assumed by Ingham (2001: 312, see also Ingham 1996, 1998, and, more fully, 2004a), i.e. relations of ‘promise to pay’ or ‘credit–debit’. Ingham is mistaken to treat credit money as the generic type of ‘money in general’. Rather, the social relations that constitute money are those among commodity owners engaging in exchange. These relations unfold out of initial contacts between commodity owners that take the form of ‘making a request for exchange – receiving the ability to exchange directly’. Money subsequently monopolizes the ability to exchange directly (buy), and thus acts as social nexus among commodity owners. The common content of commodity and credit money is their absolute ability to buy – not some imaginary ‘promise to pay’. This treatment of the social relations of money relies heavily on Marx’s analysis of the universal equivalent. Far from being irrelevant, Marxist political economy is a *sine qua non* for the theory of ‘money in general’.

Money and the labour theory of value

According to Ingham (2001: 314; see also Ingham 1998, 1999, 2004a: 61–3) the labour theory of value is the weak point of Marx's theory of money: 'Marx's theory of money is flawed – like those of other classical economists – because it is grounded in the labour theory of value. . . . There is no determinate link between money and commodities.' Nonetheless, Ingham also thinks that Fine and Lapavistas have abused the 'classical' labour theory of value:

However, in Fine and Lapavistas's interpretation of Marx, we are not offered the classical labour theory of value nor a reference to any of the recent efforts to reconcile classic Marxism with the reality of credit-money. . . . Rather, they present an essentially Hegelian formulation of the origins of money.

(Ingham 2001: 315)

Ingham's 'classical' (presumably 'classical Marxist') labour theory of value is not at all clear, nor is it apparent how Fine and Lapavistas diverge from it. Be that as it may, it is shown below that the labour theory of value remains a vital source of insights for the theory of money. The discussion draws on the work of Fine and Harris (1979) and Weeks (1981) as well as Japanese Marxism of the Uno tradition, especially Itoh (1976).

The distinction between form and substance of value is fundamental to establishing the economic content of 'money in general'. It is undeniable that commodities possess the form of value, that is, they always exhibit quantitative equivalences with each other – they have exchange value. For Marx, however, commodities produced under capitalist conditions also contain definite amounts of a social substance of value (abstract human labour). For commodities produced by capital, value's form is anchored on value's substance through a set of social and economic processes. These include the elimination of non-transitivity among commodity prices through regular buying and selling, the movement of workers indifferently between jobs and the homogenization of work effort as workers are subjected to capitalist exploitation at the workplace. They also include equalization of profit rates across industrial sectors inducing market prices to gravitate towards prices of production.

However, the form of value can also become detached, or even completely divorced, from the substance of value. In capitalist economies, there is an enormous array of things and activities that appear as commodities without bearing any relation to produced commodities, for instance, real estate, shares, insurance instruments, bribes, fines, and favours. Such things and activities acquire the form of value (money prices) despite being only tenuously related to value as abstract labour. By the same token, their prices heavily reflect non-economic and arbitrary influences (psychological, political and institutional). Moreover, in non-capitalist societies the form of value is also largely unconnected to the deeper reality of production, since the substance of value

is largely absent. Non-capitalist money prices acquire regularity and transitivity due purely to market relations of demand and supply, backed by the habits associated with repeated transactions.

Separation of form from substance of value implies that the economic process of emergence of money is not connected to the substance of value. Equivalently, money's emergence is associated with the development of the form of value (Lapavistas 2003: ch. 3). This approach surprised Ingham (2001: 315), to whom it (erroneously) seemed 'Hegelian'. On the contrary, it is both materialist and Marxist because it shows money to be the outcome of social relations among commodity owners. Fundamental to it is the assumption that commodity owners approach each other as 'foreign' individuals. The term 'foreign' is used to denote the absence of pre-existing ties of kinship, hierarchy, tradition and morality among commodity owners that might determine the fundamental content of their exchanges. Commodity owners are disinterested individuals who simply aim at obtaining an equivalent for what they bring to market. Similarly, they do not even need to know each other or, in neoclassical terms, the market is 'anonymous'.

It follows that, at any random meeting of two 'foreign' commodity owners, there must be an opening gambit that invites trading relations to occur. An important theoretical innovation subsequently made by this approach to money is to define the opening gambit in terms of the binary opposition of 'relative-equivalent' analysed by Marx (1976 [1867]: 139) in connection with the 'accidental' form of value. Specifically, the opening gambit is taken to be a request for exchange made by the relative party, offering own commodity for the commodity held by the equivalent party.¹ On this basis, an analytical process is specified that leads to money's emergence by drawing on the social relations of 'relative-equivalent'. Ingham appears to have been taken aback by the originality of this treatment of money, the key components of which are recapitulated below.

Social relations of the universal equivalent as monopolist of the ability to buy

The opening gambit of making a request for exchange gives definite direction to the 'accidental' relationship between two commodity owners. The relative is the active party, whose request puts the other in the position of the equivalent, or passive, party. In economic terms, the relative declares the exchange value of own commodity to be represented by a quantity of the commodity possessed by the equivalent. Simultaneously, the equivalent finds that own commodity can be exchanged directly with (buy) that of the relative. This property of the equivalent commodity is rudimentary 'moneyness', deriving purely from the request for exchange made by the relative. Money as the universal equivalent eventually monopolizes the ability to buy, due to spontaneous requests for exchange made by all other commodity owners.

Monopolization of the ability to buy occurs in successive (analytical) stages, namely as 'accidental' exchange becomes 'expanded', then 'general' and, finally, 'monetary'. The 'expanded' stage follows naturally from the 'accidental', since each commodity owner could in principle address requests for exchange towards any and all others. The 'expanded' stage captures the social relations of one relative confronting endless equivalents, when commodity owners regularly and frequently enter the process of exchange. The owners of the equivalent commodities find that they have acquired a degree of buying ability, if only towards a single relative. The 'general' stage, in contrast to the 'expanded', captures the reverse social relations, that is, of endless relatives addressing a single equivalent. At the 'general' stage, all commodity owners but one make regular and frequent requests for exchange to a single commodity. The single commodity thus possesses overwhelming 'moneyness'. However, demonstrating the analytical passage from the 'expanded' to the 'general' stage is far from easy.

A key observation in this respect is that money represents extreme asymmetry among commodities: one commodity is permanently placed on the side of the equivalent and all others on the side of the relative. But commodities are intrinsically symmetric as objects of trade, and this militates against establishment of the absolute asymmetry that is characteristic of money. A solution for this problem, developed elsewhere (Lapavistas 2003): ch. 3, 2005), is to take extra-economic forces, including social custom, as fundamental to inducing monopolization of the ability to buy by money. But a significant difficulty in this connection is that existence of social custom cannot be immediately assumed among commodity owners, since they are essentially 'foreign' and hence unconstrained by kinship, religion, hierarchy and so on. If commodity owners acquired customary relations, these would still be relations among 'foreigners'. A further difficulty is that the very existence of 'foreignness', as defined above, seems particularly unlikely within non-capitalist societies, in which economic activity is 'embedded' in power, prestige, kinship and custom. On the other hand, 'foreignness' naturally prevails among capitalist traders, and could also obtain at the points where non-capitalist communities and societies engage in trade with each other. This is why Fine and Lapavistas refer to Marx's claim (e.g. 1976 [1867]: 182, 1973 [1939]: 223, 1981 [1894]: 447–8) that commodity exchange historically arises where separate communities come into contact with each other. Ingham (2001: 316) dismisses this view as based on 'long since superseded history', but misses its analytical importance and, as is shown below, grossly overestimates the historical validity of his preferred alternative view.²

Within chains of customary transactions involving 'foreigners' who trade specific commodities, conditions are likely to exist that lead to money's emergence. A commodity that is customarily and frequently traded could by chance attract several requests for exchange, leading to the transient appearance of the 'general' stage. This could occur for more than one commodity within a chain of transactions. But if a commodity became a

universal equivalent even temporarily, its enhanced ability to buy would constitute an additional (exchange-related) use value, which Marx (1976 [1867]: 184) calls a 'formal' use value. Therefore, that specific commodity would be likely to attract further requests for exchange, strengthening its ability to buy and leading to still more requests for exchange. A process of monopolization of buying power would be set in train. For the 'money' stage to emerge properly, however, extra-economic factors are again necessary. The physical properties of commodities are important in this respect, since durability, homogeneity, divisibility and portability are desirable for the monopolist of buying ability. Social custom is also important, since commodities used for wealth display would be more naturally associated with the ability to buy. Finally, after money has emerged, its continuous use still relies on social custom. Commodity owners automatically offer their commodities for money, expecting that they could obtain money in exchange. The expectations of commodity owners are continually validated by their collective practice.

To recap, Marx's analysis of the form of value provides foundations for the analytical derivation of 'money in general' as monopolist of the ability to buy. The absolute asymmetry between money and commodities results partly from economic processes and partly from non-economic relations, including social custom. Money, thus, encapsulates the social relations of 'foreign' commodity owners. This result stands in sharp contrast to Ingham's view of money as constituted by social relations characteristic of credit money and 'promises to pay'. The weaknesses of Ingham's view are briefly summarized below.

Mone as unit of account and credit mone

According to Ingham (2001: 315), Marx has little to say on credit money and 'seems to understand' its peculiar character only in relation to pre-capitalist formations. Marx's view of capitalist credit instruments was 'quite conventional' for his era, treating these as '*substitutes*' for hard cash (Ingham 2001: 315, emphasis in original). Ingham even places Marx in the same camp as orthodox monetary theory as far as credit money is concerned, in opposition to post-Keynesianism. But his claims are a caricature of Marxist theory of credit money.

One of the historical antecedents of post-Keynesianism was the Banking School, famous for its critique of the Bank Act of 1844 in England. The Banking School had an elaborate theory of credit money, rejecting the notion that banknotes (and deposits) were a mere *substitute* for hard cash (gold). They also rejected the orthodoxy of the quantity theory of money, while putting forth the 'law of the reflux' as regulating principle of the quantity of credit money. There is no doubt that Marx was strongly sympathetic to the Banking School.³ It is surprising to read Ingham's assertion that 'Marx held the conventional contemporary Currency School view that credit instruments

(bills of exchange, promissory notes, etc.) were, or rather should be, in a rationally organised system, no more than functional substitutes for hard cash' (2004a: 62). Entirely the reverse holds true. Marx differentiated between commodity and credit money (Marx 1970 [1859]: 116); distinguished between plain fiat 'paper' money and credit money (1976 [1867]: 224); postulated a 'cyclical' path for credit money, transparently similar to the 'law of the reflux' (1970 [1859]: 102, 1976 [1867]: 210); and showed disdain for the quantity theory of money (1970 [1859], 1976 [1867]).

It is equally surprising for Ingham (2001: 316) to claim that Marxist and orthodox monetary theory are similar because both, apparently, 'ignore the distinctiveness of capitalist banking's creation of money through the act of bank lending'. The affinity between Marxist and post-Keynesian analysis of credit money creation through bank lending is acknowledged even by leading post-Keynesian monetary theorists (theoretical differences notwithstanding) (Lavoie and Secareccia 2001).

Ingham is nevertheless right to state that Marxist and post-Keynesian monetary theories differ profoundly on the issue of money's emergence and its connection with commodity exchange. In a nutshell, the post-Keynesian view, partly developed by Ingham, claims that money emerges as abstract unit of account, typically in the realm of credit and through the action of an extra-market authority, possibly the state. Ingham traces the theoretical roots of this approach to the German Historical School and the *Methodenstreit*, but he is unaware of its deficiencies. Distinctive views on money's origin certainly emerged with the German Historical School. Knapp's (1924 [1905]) 'chartalism' or 'nominalism', for instance, postulated that money is an arbitrary quantification of purchasing power, a quantitatively specific material claim on wealth. This was in opposition to Menger (1981 [1871], 1892), the chief neoclassical opponent of the Historical School, who attempted to show that money emerges spontaneously as means of exchange.⁴ Knapp's arguments influenced Keynes (1973 [1930]: 3) who claimed that money should be theoretically understood as abstract unit of account for prices, debts and contractual obligations, noted approvingly by Ingham (2001: 306, 1996, 1998, 2004a: 50–2). Keynes further claimed that money as abstract unit of account is of hoary antiquity, as proven by the 'baked bricks' of ancient Mesopotamia. The influence of this argument on post-Keynesians has been strong, especially on Wray (1990, 1998, 2000), on whom Ingham relies greatly (2001: 308–10, 2004a: 52–6). For Wray (1990: 13), 'money in general' appears to be credit-money, i.e. debit and credit entries that allow transactions to proceed. This is supposed to stand in contrast to neoclassical treatments of money, which focus on the function of means of exchange and ignore the broader functioning of money.

Ingham seems unaware of better-developed antecedents of his preferred alternative approach to money. In particular, he offers no discussion of Sir James Steuart, who systematically differentiated between 'money of account' (an arbitrary scale of value measurement) and 'material money' (money in

actual use) (Steuart 1995 [1767], 2, iii: chs 1, 2). ‘Money of account’ functions as abstract numeraire, while ‘material money’ generates practical approximations of abstract prices.⁵ For Steuart, ‘material money’ need not have the same nomenclature as the abstract numeraire, since it is only an approximation of the ‘money of account’. Moreover, actual prices established by ‘material money’ need not coincide with ideal prices established by the ‘money of account’. Thus, for Steuart, money is a social convention both as abstract unit of value measurement and as means of exchange that approximates ideal prices in practice.⁶ In postulating this distinction, Steuart gave theoretical form to the mythical mercantilist stories of the *macoute*, i.e. the imaginary gold bar presumably used by the natives of West Africa to measure commodity value.

The attempt to associate money’s origin with the social invention of an abstract unit of account is beset with problems. Two of those are briefly discussed and a third more fully explored below. First, and applying particularly to post-Keynesians and Ingham, the postulated link between, on the one hand, money operating as abstract unit of account and, on the other, credit relations occurring among exchange participants, is extremely tenuous. It is theoretically possible for money to operate as abstract numeraire in ordinary commercial transactions that involve immediate exchange of equivalents and have no connection with credit, as suggested by Steuart. More significantly, operating as unit of account is neither the only nor even the most important function of money in credit transactions. Equally fundamental to credit is the operation of money as means of payment – unless the outlandish assumption is made that all credit obligations are mutually cleared or fresh credits are automatically extended at all times due. But when money functions as means of payment in the settlement of debts, it automatically functions as (broad) means of exchange, though not as (narrow) means of circulation. Furthermore, to function as means of payment, money must be able to preserve purchasing power, i.e. it must already function as hoard element. In short, credit transactions are complex economic phenomena that rely on the full panoply of money’s economic functions. Assigning exceptional theoretical importance to money as unit of account in credit relations is arbitrary and misleading.

Second, there is no unambiguous historical evidence of the existence of a purely abstract unit of account, despite Ingham’s assertions (2001: 310; see also 2000). Merely showing that the unit of account happens to be differently denominated from the means of exchange is no such evidence. The performance of the two functions by differently denominated money during any given period is one of the commonest features of monetary exchange. What must be demonstrated is the existence of money of account that did not originally function as means of exchange, i.e. money of account with purely ideal units, products of human consciousness alone. In this respect, it is far from sufficient to point at the existence of societies, such as in ancient Egypt and Babylonia, which did not possess broad commodity exchange but in which money functioned as unit of account in the royal or priestly economy. For

these societies certainly traded, at the very least with foreigners, and their money of account typically included standard quantities of a few products. This is apparent in the edited volume by Wray (2004), which boldly asserts the existence of ideal money of account in ancient Babylonia but only succeeds in showing that these units of account were quantities of silver and barley.

Finally, third, the hapless search for an ideal unit of account in history is premised on theoretical confusion, apparent in Steuart's argument summarized above. There is no doubt that the accounting system of prices is an abstract entity, which can be fully established on a sheet of paper by using an ideal unit of money. It is a simple exercise in economics to generate such an abstract nomenclature of price by using any number of different 'numeraires'. Moreover, in the practice of monetary exchange, the price of a specific commodity is ideally determined in the mind of its owner prior to actual exchange. In other words, money's function as measure of value could certainly be undertaken by purely imaginary or ideal money. Marx offers strong insight on this issue:

Since the expression of the value of commodities in gold is a purely ideal act, we may use purely imaginary or ideal gold to perform this operation. Every owner of commodities knows . . . that it does not require the tiniest particle of real gold to give a valuation in gold of millions of pounds' worth of commodities. In its function as measure of value, money therefore serves only in an imaginary or ideal capacity. This circumstance has given rise to the wildest theories.

(Marx 1976 [1867]: 189–90)

This aspect of the measure of value impressed Innes (1913, 1914), who is acclaimed by Ingham and the post-Keynesians as a founding father of their alternative approach to money. Innes subsequently turned the ideal measurement of value into a 'wild' theory of all money as credit money:

The eye has never seen, nor the hand touched a dollar. All that we can touch or see is a promise to pay or satisfy a debt due for an amount called a dollar The theory of the abstract standard is not so extraordinary as it first appears, and it presents no difficulty to those scientific men with whom I have discussed the theory. All our measures are the same. No one has ever seen an ounce or a foot or an hour.

(Innes 1914: 56)

However, in monetary exchange, ideal must also become actual price, if commodity owners are actually to obtain the equivalent they ideally expect (and if debt holders are to receive value due that has not been cleared against other debt). Money acts initially as ideal measure of value, but if exchange is to have economic content, money must also act as standard of price in practice, thereby rendering prices real. The ideal measurement of value is only a first step in the process of exchange (including commodities and debts) – at some

point value must also be measured in practice and rendered into actual price. Evidently, the transformation of ideal into actual prices has nothing to do with ideal money units, and depends entirely on actual money. In this respect, the money stuff and the denominations of actual money are of the first importance. Thus, a given set of commodity values might be ideally measured in gold, but would produce very different actual prices for gold denominated in sovereigns, francs, dollars and so on. The actual price system would be different still if value continued to be measured ideally in gold but actual money comprised silver or bronze, variously denominated.

Therefore, money functioning as measure of value should be differentiated from money acting as standard of price, as Marx noted (also associating measure of value with abstract labour):

As the measure of value it [money] serves to convert the values of all the manifold commodities into prices, into imaginary quantities of gold; as the standard of price it measures those quantities of gold. The measure of value measures commodities considered as values; the standard of price measures, on the contrary, quantities of gold by a unit quantity of gold, not the value of one quantity of gold by the weight of another.

(Marx 1976 [1867]: 192)

An important point here is that the denominations of the standard of price are social conventions. This is not simply because the state, or some other authority, dictates the standard of price, as has commonly been the case throughout history. Rather, the conventional aspect of the standard of price is associated with the physical aspect of the money stuff as well as the social customs that surround its use as plain commodity: salt comes in blocks that vary with production method and social custom of use, cloth is cut in standard measures that differ according to material and habits of use, cattle is counted in heads, precious metals of variable fineness and standard weight are used by different communities according to their own traditions. The ability of the state to impose on society its own units of money of account rests on the socially conventional nature of the standard of price. The state gives order to the conventions surrounding the standard of price partly for reasons of its own (tax and seigniorage) and partly to lessen the inevitable frictions arising from several standards operating concurrently. This is apparent in the case of coinage, but not substantially different when the state chooses as standard of price a particular banknote, or an arbitrary unit of fiat money which is loosely and indirectly connected with the money commodity.

In this light, the alternative approach advocated by Ingham confuses the undoubted ability of the state (or another socially constituted authority) to set the standard of price with an (imaginary) ability arbitrarily to set the measure of value. The state can create its own price numeraire, but this is because a spontaneous measure of value already exists that is conventionally denominated as standard of price and acts as means of exchange. The abstraction

involved in creating a price numeraire (by the state or another authority) refers to determining the standard of price and not the measure of value. Money as the measure of value is not abstract (and far less ideal) – it is one commodity emerging spontaneously among the many. Adam Smith, for all the criticism to which he has been subjected in this respect, including by Ingham (2004a: 34), was right in refusing to adopt Steuart's theory of the abstract measure of value, despite being perfectly familiar with it.

Precisely because money is not an ideal unit of value measurement (except in general equilibrium exercises by economic theorists), Ingham's favoured approach faces insuperable difficulties in developing a logical account of how such an ideal unit could have been devised in practice. In this respect, this theoretical current offers nothing remotely comparable to Marx's dialectical analysis, or Menger's taut derivation of money's emergence. Innes (1913, 1914), for instance, gives no logical account of how the putative abstract unit of value measurement emerged. We are left with the vague supposition that the machinery of ancient states somehow devised a coherent system of values by fixing an abstract unit of account. Political economy, meanwhile, was able to perform this gigantic feat of abstraction only after centuries of effort and against the concrete reality of constant commensuration of commodities in capitalist markets.

Ingham (2004b: 175–83), to his credit, realizes Innes's weakness in this respect. Thus, he searches for an answer and finds it in the numismatic work of Grierson (1977) (Ingham 2001: 310, also 1996: 519–21, 2004a: 90–3, 2004b: 182–3). Grierson suggests, along lines earlier explored by the German Historical School, that money emerged as unit of account in *vergeld*, that is, in the practice of making monetary compensation for social and individual 'injuries'. Grierson is led to this argument because he thinks that it is impossible to render commensurate any significant number of commodities, in view of the huge number of bilateral combinations thereby generated. Thus, he assumes that a more plausible path toward commensuration of disparate things was provided by communal assemblies that determined equivalences among a 'few' injuries for the purpose of compensation. In this light, the abstract unit of money was communally devised in the practice of *vergeld*.

Grierson's erudite work is not persuasive in this regard. For one thing, commodity exchange and the use of money probably preceded the practice of *vergeld* in history. More significantly, Grierson shows little appreciation of the process of value measurement in the realm of commodities, and for this reason thinks of the large number and the inherent natural differences of commodities as forbidding obstacles to commensuration. But these putative weaknesses are actual strengths of the spontaneous process of commodity commensuration in the course of exchange. Large numbers of repeated bilateral transactions (premised on differences among use values) are necessary to establish relative prices as objective social norms, while providing the necessary impetus for monopolization of buying ability by money. It is more likely, indeed, that the

occur due to temporary lack of the money 'thing'. Much of the mystery and complexity of money arise because it is simultaneously a social relation and a thing. The particular form taken by the money 'thing', moreover, is important for money's functioning.

There are significant economic differences among the forms of money. Capitalist commodity money, for instance, inherently contains value (abstract labour). This alone shows the fallacy of Ingham's main claim, namely that there exist '*generic* social relations of the system of promises to pay' which apply to all forms of money (2001: 307, emphasis in original). Capitalist commodity money is no-one's liability and bears no necessary relation to credit processes: it is not a promise to pay but the instrument of final payment. Credit money, on the other hand, is indeed a promise to pay, but this constitutes its qualitative difference with commodity money. It is plain confusion to lump together commodity and credit money as 'promises to pay'. There is a common aspect to all forms of money but this is their unique ability to buy rather than some fictitious 'promise to pay'. To establish this result, however, it is necessary to relate money to commodities, precisely the approach that Ingham advises against.

Credit money presents no exceptional difficulties for Marxist monetary theory.⁷ Money as monopolist of buying ability necessarily functions as means of payment by separating purchase from sale, thus giving rise to trade credit relations. Money also makes possible the transfer of buying power among capitalists through relations of lending. Credit relations of both types are continually generated by private capitals and proliferate in a capitalist economy. Credit money emerges in credit transactions among commercial and industrial capitals, acquires more developed forms in the operations of banks, and becomes the dominant form of money. Capitalist credit money certainly comprises promises to pay but that is also why it differs from commodity money: financial institutions systematically create and eliminate credit money by issuing and settling promises to pay. Nevertheless, credit money remains a form of the universal equivalent, sharing in common the character of 'money in general' that is associated with the social relations of commodity exchange.

Notes

1 The opening gambit is discussed in detail in Lapavistas (2003: ch. 3, 2005), where it is also treated as rudimentary offer to sell.

2 This is more fully discussed in Lapavistas (2003: ch. 3).

3 See Lapavistas (1994, 1996).

4 The two approaches have been known as, respectively, the *acatallactic* and the *catallactic* theory of money's origin (Mises 1953 [1934]). In Lapavistas (2003: ch. 6) they are called 'money as unit of account' and 'money as means of exchange', and both are discussed from a Marxist standpoint.

5 Ingham (2001: 310) draws a distinction between a ‘monetary’ (‘abstract’) duck and a ‘commodity’ (concrete) duck, in any ‘duck standard’ of value. This is strongly reminiscent of Stuart.

6 Marx (1970 [1859]: 79–81), who had a high regard for Stuart’s monetary theory, differed from him on this issue (Itoh and Lapavitsas 1999: ch. 1).

7 See Lapavitsas (1991, 2000).

References

- Fine, B. and Harris, L.** (1979) *Rereading Capital*, New York: Columbia University Press.
- Fine, B. and Lapavitsas, C.** (2000) ‘Markets and money in social science: what role for economics?’, *Economy and Society* 29(3): 357–82.
- Grierson, P.** (1977) *The Origin of Money*, London: Athlone Press/University of London.
- Ingham, G.** (1996) ‘Money is a social relation’, *Review of Social Economy* 54(4): 507–29.
- (1998) ‘On the underdevelopment of the “sociology of money”’, *Acta Sociologica* 41(1): 3–18.
- (1999) ‘Capital, money and banking: a critique of recent historical sociology’, *British Journal of Sociology* 50(1): 76–96.
- (2000) ‘“Babylonian madness”: on the historical and sociological origins of money’, in J. Smithin (ed.) *What is Money?*, London and New York: Routledge.
- (2001) ‘Fundamentals of a theory of money: untangling Fine, Lapavitsas and Zelizer’, *Economy and Society* 30(3): 304–23.
- (2004a) *The Nature of Money*, Cambridge: Polity Press.
- (2004b) ‘The emergence of capitalist credit money’, in Wray (2004).
- Innes, A. Mitchell** (1913) ‘What is money?’, *Banking Law Journal*, May: 377–408, reprinted in Wray (2004).
- (1914) ‘The credit theory of money’, *Banking Law Journal*, January: 151–68, reprinted in Wray (2004).
- Itoh, M.** (1976) ‘A study of Marx’s theory of value’, *Science and Society* 40(3): 307–43.
- and **Lapavitsas, C.** (1999) *Political Economy of Money and Finance*, London: Macmillan.
- Ke nes, J.M.** (1973 [1930]) *A Treatise on Money*, Royal Economic Society, London: Macmillan.
- Knapp, G.** (1924 [1905]) *The State Theory of Money*, London: Macmillan.
- Lapavitsas, C.** (1991) ‘The theory of credit money: a structural analysis’, *Science and Society* 55(3): 291–322.
- (1994) ‘The banking school and the monetary thought of Karl Marx’, *Cambridge Journal of Economics* 18(5): 447–61.
- (1996) ‘The classical adjustment mechanism of international balances: Marx’s critique’, *Contributions to Political Economy* 15: 63–79.
- (2000) ‘Money and the analysis of capitalism: the significance of commodity money’, *Review of Radical Political Economics* 32(4): 631–56.
- (2003) *Social Foundations of Markets, Money and Credit*, London: Routledge.
- (2005) ‘The emergence of money in commodity exchange, or money as monopolist of the ability to buy’, *Review of Political Economy* forthcoming.
- and **Saad-Filho, A.** (2000) ‘The supply of credit money and capital accumulation: a critical view of post-Keynesianism’, *Research in Political Economy* 18: 309–33.
- Lavoie, M. and Seccareccia, M.** (2001) ‘Post-Keynesian and Marxist economics: twins or distant cousins?’, paper presented at the Progressive Economics Forum, Canadian Economics Association, May–June, McGill University, Montreal.

- Marx, K.** (1970 [1859]) *Contribution to a Critique of Political Economy*, Moscow: Progress.
- (1973 [1939]) *Grundrisse*, London: Penguin/NLR.
- (1976 [1867]) *Capital*, Vol. 1, London: Penguin/NLR.
- (1981 [1894]) *Capital*, Vol. 3, London: Penguin/NLR.
- Menger, K.** (1892) ‘On the origin of money’, *Economic Journal* 2: 239–55.
- (1981 [1871]) *Principles of Economics*, New York and London: New York University Press.
- Mises, von L.** (1953 [1934]) *The Theory of Money and Credit, Appendix A: ‘On the Classification of Monetary Theories’*, London: Cape.
- Steuart, J.** (1995 [1767]) *An Inquiry into the Principles of Political Economy*, Vols 1, 2, 3, 4, in *Works, Political, Metaphysical, and Chronological, of the Late Sir James Steuart*, London: Routledge.
- Weeks, J.** (1981) *Capital and Exploitation*, London: Edward Arnold.
- Wra , R.** (1990) *Money and Credit in Capitalist Economies*, Aldershot and Brookfield: Edward Elgar.
- (1998) *Understanding Modern Money: The Key to Full Employment and Price Stability*, Cheltenham: Edward Elgar.
- (2000) ‘Modern money’, in J. Smithin (ed.) *What is Money?*, London and New York: Routledge.
- (ed.) (2004) *State and Credit Theories of Money: The Contributions of A. Mitchell Innes*, Cheltenham: Edward Elgar.
- Zelizer, V.** (2000) ‘Fine tuning the Zelizer view’, *Economy and Society* 29(3): 383–9.

Costas Lapavistas is Reader in Economics at the School of Oriental and African Studies, University of London. He works on political economy of money and finance, and on the Japanese economy.