

## Problems with the Value-forms

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### **Abstract**

The classical political economy and the neo-classical economics are both economics of exchange-value, as is shown in their idea of *numeraire*. Exchange-value means every commodity can exchange for each other, when in a proper proportion. Therefore, when two commodities are exchanged (commodity A = commodity B), this equation simultaneously implies B = A. However, Marx's value-form in *Capital* vol. 1 was an epoch-making theory to criticize the notion of exchange-value. But his theory is incomplete and full of defects, consequently has caused heated debates and confusions around the world since its publication, finding no clear, hopeful solution for it as yet. The author considers a reason for the confusions to originate from Marx's presupposition of the substance of value, labour, in the theory of the value-form, which should have been proved and developed later in the production process of capital.

The author aims to reconstruct the theory of value-form, based on the value-form without reference to the substance. Firstly the paper reexamines the simple value-form. A fundamental problem with Marx's value-form, '20 yards of linen = 1 coat' is whether the relation between the two commodities is exchanged one or to be exchanged before exchange. Marx often supposes the two are exchanged, accordingly the distinction between the expression of value and the measure of value has become ambiguous. Marx refers to the simple value-form as the simple value expression, but he presupposes the linen and the coat to be exchanged; he treats the value expression of a commodity with money in the section on the measure of value. These inconsistencies with Marx originate in his simple value-form. First, the author attempts to reformulates the simple value-form, and then points out, based on this reformulation, the defects of Marx's expanded value-form and the general value-form. Next, the paper emphasizes a crucial difference between the general value-form and the money-form, and clarifies the expression of commodity with money (the money-form) belongs to the chapter on the commodity, whereas the measure of value to the chapter on money.

Finally the author argues that theory of the value-form must be understood as a critique of a conventional notion, exchange-value.

## I Problems with the simple value-form

The simple value-form, 20 yards of linen = 1 coat, means whether the two commodities are exchanged or not yet. Apparently Marx understands that the two are exchanged based on an equal amount of socially necessary labour, as his example, the exchange of 'corn and iron' in the first section, shows. His subtitle 'accidental form of value' also suggests this.<sup>1</sup> He knows that it is difficult for two commodities to be directly exchanged, and that when it occurs it is accidental. He maintains that 20 yards of linen is in the relative form of value, and 1 coat in the equivalent form, and that the two forms have an opposing but complementary relation: two poles. Although he stresses that only 20 yards of linen can express its value with 1 coat, and not vice versa, he admits that it 'also includes its converse 1 coat = 20 yards of linen' (*Capital* vol. 1, p.140). Why does Marx make such a contradictory remark? For Marx 20 yards of linen = 1 coat means that the two commodities contain equal amount of objectified labour, thus the simple value-form occurs; without the assumption of an equal amount of objectified labor, value expression is inviable. Most Marxian economists typically follow this idea.

However, Marx shows an acute insight into commodity exchange, when he states in the 2nd chapter Exchange Process that 'the direct exchange of products has the form of simple expression of value in one respect, but not as yet in another' (ibid. p.181). This sentence shows his insight that if two commodities are directly exchanged, then the exchange is not yet commodity exchange but rather barter,  $x \text{ use-value} = y \text{ use-value}$ . Here we face a dilemma: if the two commodities are not exchanged it cannot be the simple value-form; however, if the two commodities is directly exchanged the transaction turns into barter, not the simple value-form.

To resolve this issue, we should turn to the money-form, the value expression of commodities in money, a real concrete form from which the simple value-form has been abstracted.

In Chapter 3 on Money, Section1, Measure of Value, Marx clearly admits

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<sup>1</sup> Itoh points out Marx's inconsistency between sections 1, 2 and section 3, the value form of the 1st chapter; in the former two commodities are supposed to be exchanged, in the latter the two yet to be exchanged (Itoh, 1980, p.50). I agree with this view. However, why did not Marx notice this inconsistency? This is, I think, because Marx had not yet clarified sufficiently the value-form as commodity exchange relation before realization of exchange; we can find many references to exchanged commodity relation in the value-form.

that the expression of commodity value in money, money-form (price-form), is subjectively performed by commodity owners before realization of commodity exchange (sale). Following this idea, the simple value-form is also 'a purely ideal or notional form'; the commodity owner's desire to obtain the other commodity by offering his/her own commodity in exchange for it on the primitive market. In this case, there is no need for the presence of a coat and its owner at the scene, it is a unilateral offer or expectation for exchange by the linen owner. 20 yards of linen = 1 coat is the relation in which the linen owner wants 1 coat in exchange for 20 yards of his/her own linen. Just as in the real value expression of a commodity, pricing (money-form), so in the simplest value expression, the relation with the coat and its owner exists only in the linen owner's head. Value expression in price is the commodity owner's appeal for money to lots of unknown money holders on the market. As money holders are not yet present, it is not certain whether or not the commodities can be actually exchanged. This is why Marx stresses an ideal, imaginary character of value expression in price.

In 20 yards of linen = 1 coat as well, we should consider that this value expression is the linen owner's subjective, unilateral offer of exchange for 1 coat without the presence of the coat and its owner on the scene, thus it is yet unknown whether or not the two are actually exchanged. As a result, it is clear that the equation formula can neither include 1 coat = 20 yards of linen nor reverse itself.<sup>2</sup> Marx states that when reversed this becomes a different value equation. If the coat is in the relative form of value, then the coat owner may want another commodity, not linen. Among many coat owners in the market there may be one desiring linen, even in this case it is not certain whether he/she proposes the same exchange rate. Therefore 20 yards of linen = 1 coat never implies that two commodities are exchanged. Marx's 'accidental value-form' is inappropriate; the direct exchange of the two commodities is accidental, however, the simple value-form is not so. Marx's flaw comes from his early postulate of value as objectified labour in the two commodities in the 1st section.

This principle of the simple value-form, I think, penetrates from the

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<sup>2</sup> Some Unoists have begun to use arrow sign in place of equal sign =, to express the value-form. Without equality between the two commodities, however value expression is inviable. What matters is that only the linen owner thinks the two are equal in value. What is wrong with Marx is his assumption of the equal amount of objectified labour between the two, not using equal sign.

expanded and the general value form through the money form. Therefore I am convinced that Marx's logic in introducing the general value-form by reversing the total expanded value-form is entirely wrong. I will address this issue later.

Based on my view, commodities have an objective character as value only in so far as their owners form a peculiar social relation; they wish to exchange their own use-values avoiding direct contact. The reason that 'their objective character as value is purely social' is that it is nothing but a hidden social relationship between the two owners. Marx's explanation by reference to the "social substance human labor" hinders clarification of the specificity of the exchange relation between the two owners.<sup>3</sup> Value is a social property that a use-value has when it is placed by its owner in the exchange relation with other's own use-value without direct contact. A single commodity in isolation possessing value is a contradiction in terms. Thus, 'we may twist and turn a single commodity as we wish; it remains impossible to grasp it as a thing possessing value'.

Then, how can linen or a coat, each itself a good or material, become a commodity possessing a value? A linen owner desiring 1 coat comes to market, and he/she shows a sign to the public that he/she will part with 20 yards of linen in exchange for 1 coat: this is the relative value-form. Within this one-sided relation that the linen owner sets up, the coat becomes a use-value for the linen owner and has an immediate exchangeability for 20 yards of linen, thus a coat has a value and, consequently becomes a commodity: this is the equivalent value-form.

Next question is: how do 20 yards of linen have a value and become a commodity? When the linen owner wants 1 coat on the market, he/she thinks as follows: If he/she can obtain 1 coat by parting with 19 yards or less of his/her linen, then he/she feels this potential transaction advantageous; however, he/she feels this exchange will be more difficult; if he offers 21 yards or more the transaction will be easier; however, he/she feels disadvantageous. After vacillating in his/her mind regarding the exchange rate, he finally decides to offer an exchange at the rate of 20 yards of linen = 1 coat, taking the market situation into account. As long as 20 yards of linen has this

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<sup>3</sup> The method of developing the value-form without reference to labour substance was for the first time published by Uno (1950), and further he presented chapters on commodity, money and capital as circulation forms. I agree with this method, but my explanation is based on my own understanding, not necessarily the same with Uno's,

implication, 20 yards of linen have a value and become a commodity: the relative value-form.

That a linen owner can unilaterally decide the exchange rate, however, never means that he/she decides it at will as he/she wishes. His/her decision making is constrained by the market situation where many exchanges between linen and coat are supposed to have occurred. As long as the fluctuating exchange rate in the linen owner's mind converges on a certain rate, we can state that the linen has a value and is a commodity. This is because, when both commodities do not have inherent values, the fluctuating exchange rate can never converge on a certain level, 20 yards of linen = 1 coat. If the linen does not have a converged rate, then it finds out to be valueless, not a commodity. The inherent value cannot exist apart from a relation with another commodity and through the fluctuation of the exchange rate in the mind of the linen owner. This is the only way we can recognize the value intrinsic in a commodity. This reasoning explains the necessity of exchange-value, correctly value expression or value-form, for value.

The above-mentioned becomes easier to understand when we look at real value expression in price: commodities on sale with price tags in stores. For example, a normal price for 1 piece of shirt = \$ 10 is given. At first the owner wishes to sell it for \$ 11 or more, but soon realizes that the sale will be difficult looking at the market situation, and then he lowers the price at \$ 9 or less; when his commodity sells too rapidly with the demand strong, he begins to raise the price again; consequently the price fluctuation converges on a stable normal price, \$ 10. Value expression occurs this way by the unilateral initiative of commodity owners without contact or agreement with money holders. However, his subjective decision is forced to follow the market situation where the power balance between demand and supply of a commodity prevails. The stable price, the center of gravity so to speak, is not a value itself, but nothing but the appearance of a value. This price is established as long as the value of the commodity and that of money coincide. If both commodity and money have no value the convergence of price on a center price never arises; the existence of value inherent in the commodity is unable to confirm by other than this procedure: this specific nature of value and value expression originates in the specificity of market economy.

Value is a social property the commodity inherently has, regulating an exchange rate or price, however, it can only appears a posteriori as a

consequence of exchange rate or price movement. This by no means implies that price movement determines value, nor that price is value (Bailey 1825). One is unable to grasp value as such apart from value expression, value-form. The reason that classical economists overlooked the value-form lies in their conviction that value defined as embodied labour directly regulates exchange rate or price. Later in the production of capital the substance of value of commodity products is clarified as socially necessary labour or abstract labour, however this by no means implies that the labour-time directly regulates the price; even in this case what regulates the price movement is the value of commodity, founded on the socially necessary labour: the law of value. This law is built on the foundation of social allocation of total labour in society, which determines socially necessary labour, and is established through value's regulation of the price movement.<sup>4</sup> The socially necessary labour-time is determined in social division of total labour into individual production sectors, which can be developed later in the production process of industrial capital, abstracted from here in the chapter on the commodity.

Expression of value and measure of value in the chapters of commodity and money respectively is nothing but the value's regulation of price movement, abstracted from the law of value in the production process of capital. What regulates price in the chapters on commodity and money is value, not directly labour expended. The prevalent views that regulation of exchange value or price is unthinkable without the basis of expended labour-time stem from the disability to distinguish between value and its substance ('labour values' is a typical one). This is the reason that classical economists fail to recognize the necessity of price-form or price movement for value, or that of money for commodity.

#### **a. Value-form, use-value form, commodity form**

Marx states that the linen's value is expressed relatively in the material body of 1 coat. Thereby the use-value form is reduced simply to the bodily shape of material itself (*Naturalform* in German), and the commodity form simply to a material attached with the value-form. Marx' achievement in value-form theory lies in the discovery of opposing but complementary

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<sup>4</sup> Marx attributes classical economists' oversight of the value-form to their belief in bourgeois production as a natural one (*ibid.*, p.174); this criticism is correct but not sufficient. The substance of value and the law of value are explored in more depth in another article 'Reality of the law of value' (forthcoming).

polarity within the expression of value of a commodity, but that explanation of commodity form does not live up to his achievement.

Just as there are two opposing but complementary value-forms: the relative value-form and the equivalent value-form, so there are the relative use-value form and the equivalent use-value form. 20 yards of linen, being offered on the market, show in practice non-use-value for linen owner; this is the relative use-value form. One coat, being chosen by the linen owner as a good of his/her preference, it becomes in reality a use-value for the linen owner; this is the equivalent use-value form. Just as the value-form can exist as two poles, so the use-value-form exists as two opposing but complementary forms.

The same holds true of the commodity form; the commodity form too consists of the relative commodity form and the equivalent commodity form. Thus the relative commodity form is a unity of the relative value-form and the relative use-value form, and the equivalent commodity form is a unity of the equivalent value-form and the equivalent use-value form.

Marx and Marxian economists have failed to grasp two opposing use-value forms and commodity forms. Uno and Unoists as well fail to recognize this crucial point. The long-standing one-sided argument on the value-form since Marx, disregarding the use-value form and the commodity form, has presumably rendered the theory of value-form formalistic and crippled. Marx frequently uses the term 'equivalent form' in contrast with the relative value-form. However, the equivalent value-form is a precise term. The former is a shorthand for the latter; it should not be used in its definition as *Capital* vol.1, the second edition states.

#### **b. Asymmetry of the value-form**

Exchange value, which was a common notion in the classical political economy and still prevails as a conventional category in economics, is characterized by its symmetry between two commodities exchanged: 20 yards of linen is exchanged for 1 coat means, at the same time, that 1 coat is exchanged for 20 yards of linen; that is, if  $A=B$ , then  $B=A$  like an equation in mathematics; its relation can be convertible. This conception originates from the assumption that every single commodity itself has value just as every single physical object has weight.<sup>5</sup>

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<sup>5</sup> Exchange-value in the modern version is *numeraire* in neo-classical economics. The excellence of Sekine's works (1984, 1997) lies in his sharp critique of basic categories in

However, what characterizes the value-form is its asymmetry: 20 yards of linen expresses its value in 1 coat but 1 coat does not in 20 yards of linen; the linen owner is present, but the coat owner not yet present there (in the mind of the linen owner); the linen owner is active but the coat owner passive; 1 coat has a direct exchangeability with 20 yards of linen but 20 yards of linen lose direct exchangeability with 1 coat. The linen and the coat, from the beginning, do not have value just as a physical object has weight by itself. Only when the one is in the relative form and the other in the equivalent form, is each able to have value and become a commodity; thus the value of a commodity in the relative form can express its value in the use-value of the other in the equivalent form. The quintessence of the value-form lies in this asymmetry.

Marx's recognition of this, however, is insufficient. He explains the simple value-form and the expanded value-form as follows.

Admittedly, this simple form only express the value of a commodity A in one kind of another kind. But what this second commodity is, whether it is a coat, iron, corn, etc., is a matter of complete indifference (ibid., p. 154).

The value of a commodity, the linen for example, is now expressed in terms of innumerable other members of the world commodities. Every other physical commodity now becomes a mirror of the linen's value (ibid. p.155).

These two sentences clearly show his assumption that every single commodity has a value from the outset and exchangeable with any other commodity: the conventional notion of exchange-value. When 1 coat is not the object of the linen owner's desire, it neither has value, nor is a commodity; the two remain use-values, and there is no value expression. Therefore, Marx's exposition that the value of 20 yards of linen is expressed in the physical body (*Naturalform*) of 1 coat is incorrect. Such value expression is established, for the first time, in the money-form, value expression in price; this is another pre-emptive error in logic.

Marx' exposition that the expanded value-form is 'total' is wrong. As the commodity in the equivalent form is determined by the linen owner's desire, the kind and amount of other commodities in the equivalent form are limited,

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the neo-classical economics.



and the amount the linen owner offers in exchange for them must vary depending on the other kind of commodities he/she chooses.<sup>6</sup>

Let us consider the direct exchangeability of a commodity in the equivalent value form. This is the key to solving the mystery of money. Regarding the simple equivalent form, Marx states the following.

The coat, therefore, seems to be endowed with its equivalent form, its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm. Hence the mysteriousness of the equivalent form, which only impinges on the crude bourgeois vision of the political economist when it confronts him in its fully developed shape, that of money (ibid. p.149).

Why does 1 coat have such a peculiar ability? Marx's reasoning, it seems to me, is that a coat in the equivalent form becomes the appearance of the value of 20 yards of linen, that is, the appearance of abstract human social labour. I do not consider it convincing.

Based on my view, the reason why 1 coat gains the direct exchangeability with 20 yards of linen is that the linen owner has beforehand showed his desire for 1 coat in exchange for his own 20 yards of linen. We can explain the reason without reference to social abstract labor.

Marx maintains that 1 coat in the equivalent form has 'its property of direct exchangeability, by nature, just as much as its property of being heavy or its ability to keep us warm'. I think 1 coat has direct exchangeability only when 1 coat becomes the use-value desired by the linen owner. Therefore, a coat as a physical material, is not yet able to have the ability by nature. Thus, it is too early to argue that 1 coat has the ability by nature in the simple equivalent form. It is later in the money-form that a universal equivalent commodity, gold, first gains the property of direct exchangeability by nature. Marx's description in the simple value-form is preemptive, thus incorrect.

We should notice that linen owner's offer of exchange gives, on one hand, direct exchangeability to 1 coat, and on the other hand, direct non-

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<sup>6</sup> Following Marx, in the expanded form Itoh states, 'Linen stands in a social relation more or less with the world of commodities and wishes to be a citizen of that world' (Itoh, 1988, p.84). I think his reference here to the world of commodities is inappropriate.

exchangeability to his/her own 20 yards of linen. Just as the simple equivalent form is a germ for money, so the simple relative form is a germ for the completed commodity form in the money-form.

## **II. Problems with the expanded value-form and the general value-form**

For Marx the simple value-form means that the value of a commodity can express with use-value of any other commodity; thus the equivalent commodity for 20 yards of linen can expand infinitely. Therefore the expanded value-form is referred to as total value-form. Based on my view, this is erroneous, because the equivalent commodity is chosen by the linen owner's desire and the kind and amount of the equivalent commodity are restricted, never infinite. Further, depending on the equivalent commodity the linen owner desires, the amount of linen he/she offers in exchange for it has to vary at each time, unable to remain the same 20 yards of linen.

Marx's general value-form arises from a reversal of the total value-form; 20 yards of linen in the general equivalent and all other commodities in the general relative form. This form too contains many problems. First and most important, the reversal of two opposing poles of the value-form violates the principle of the value-form that the two poles cannot convert their position.

Due to this defective introduction, it follows that the difference between the general value-form and the money-form, or the general equivalent commodity and money gold disappears; any commodity has possibility to become money, just like *numeraire* in Neo-classical economics.

In my view, there stand several special equivalent commodities alongside with each having their relative commodities, which are restricted to rare, privileged luxury goods, particularly precious metals, such as silver, gold, copper so on; the characteristic of the general value-form lies in the fact the unification of the general equivalent has been not yet achieved because the general equivalents are chosen by the desire of commodity owner in this value-form.

## **III. The transition from the general value-form to the money form**

Marx considers that there is no essential logical difference between the general value-form and the money-form except that the general equivalent commodity linen is replaced with a commodity gold by social custom. I would like to call this conviction into question.

Fundamental changes have taken place in the course of the transition from form A to form B, and from form B to form C. As against this, form D (money-form) differs not at all from form C (general value-form), except that now instead of linen gold has assumed the universal equivalent form. Gold is in form D what linen was in form C: universal equivalent. Advance consists only in that the direct and universal exchangeability, in other words, the universal equivalent form, has now by social custom finally become entwined with the specific form of gold (*Capital* vol.1, p.162).

There is, however, an important difference between the 3 value-forms (the simple, expanded, and general) and the money-form, although they share the same value expression. While in the latter the commodity owner expresses his/her commodity's value by coordinating the amount of money, in the former the linen owner expresses the value of his/her commodity by coordinating the amount of his/her own linen. One of the tasks of value-form theory is why and how this change occurs in the transition from the simplest through the complete, 'dazzling' value expression.

According to Marx's view, every commodity has a chance to become the general equivalent. In fact, in the first edition of *Capital* Marx sets up the value-form IV in which every commodity is given the possibility of becoming the general equivalent. In the Appendix and the 2nd edition this was replaced by IV or D the money-form. A problem with this view is that logical derivation of the money-form from the general value-form has vanished altogether. As cited earlier, Marx pronounces that his task is 'tracing the genesis of this money-form'. I interpret this as a logical genesis of money-form, not a historical one.

Problematics originates in Marx's general value-form; all commodities except linen line up in the relative form with linen as a sole general equivalent commodity. In my view aforementioned, not one but only a few precious luxury goods, such as silver, gold, and bronze, are able to occupy the position of the general equivalent form, and constitute candidates for money. Only in the money form where all commodities except gold line up in the relative form, can the general equivalent be unified into one: the universal equivalent commodity, money.

As against Marx's view, 'Fundamental change' occurs in the transition from the general equivalent value-form to the money-form. For the first time the

equivalent commodity gold has become the one and only general equivalent and all commodities except gold line up in the relative form.

Marx's view that in the expanded form a commodity can have any other commodity as the equivalent ('total value-form') is the first mistake. To introduce the general value-form from reversal of the expanded value-form is the second one; this double mistake constitutes Marx's general value-form.<sup>7</sup> Certainly, it is necessary to place in the general equivalent position a commodity other than gold; however, it is inappropriate to place the linen, a common, ordinary item in that position.

In the value expression of commodities in money (pricing), value expression initiated from the simple value-form has been finally completed. From 20 yards of linen = 1 coat does not automatically follow the equation 100 yards of linen = 5 coats or, 10 yards of linen = half a coat, because the linen owner at this moment desires only one coat, neither 5 coats nor one half coat. Therefore,  $x$  commodity A =  $y$  commodity B, which Marx uses and most Marxist economists follow, is not appropriate to express the simple value-form.

The general equivalent commodity has an exchangeability for many commodities in the relative form, only because the owners of the latter jointly want the equivalent commodity beforehand. In the money form, all commodity owners want money for the sake of not the use-value of gold but its property of direct exchangeability for all commodities. The restriction of value expression in the simple, expanded, and general value-form has been completely overcome. Every commodity owner wants money in order to exchange (or buy) other commodities he/she wants. Consequently, the way of expressing the value of a commodity has changed direction. In the simple, expanded, and general value-form, the value is expressed by the owner's action to adjust the amount of his/her own linen to the equivalent commodity he/she wants, whereas in the money form value is expressed by its owner's action to adjust the amount of money to his own commodity for sale.

Why has this change happened?

It is neither by chance nor by social custom that commodity gold has become money; there must be some necessity for it; we cannot remain content saying that the exchange process necessarily gives birth to money.

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<sup>7</sup> Itoh correctly points out, 'This logic (the reversal of the expanded value-form) contradicts the essence of Marx's own theory of forms of value' (Itoh, 1988, p. 84).

### **a. Constitution of the Chapter on the commodity**

Since the money-form does not arise merely by replacing the general equivalent, the linen, with gold, transition from the general value-form to the money form poses a critical problem. To address this issue, we need to recall the constitution of theory of commodity. Marx constitutes it with 4 sections: 1. Use-value and value, definition of value as objectified abstract labor. 2. Dual nature of labor. 3. Value-form 4. Commodity fetishism. Arguably, his constitution is complex. As I explained earlier, Kozo Uno, arguing against the reference to the substance of value, labor, in the chapter on the commodity, reformulates the constitution of 3 sections (Uno 1950) as following:

1. value and use-value
2. value-form
  - a. the simple value-form
  - b. the expanded value-form
  - c. the general value-form
3. the money-form

Uno omitted not only reference to substance of value and dual nature of labor but also the fetishism of commodity and Chapter 2, Exchange Process. I support this reformulation. Uno did not give sufficient explanations about it, so I present the reason why this constitution is superior based on my own understanding.

Section 1 is concerned with the world of commodities in the abstract, where two factors, value and use-value are explained. However, without money the world of commodities is unable to have real entity.

Section 2 is concerned with the simple, expanded, and the general value-forms, where the world of commodities disappears in the background, each commodity acquires reality in pair of the relative form and the equivalent form.

Section 3. With all commodities except gold line up in the general relative value-form and gold in the universal equivalent form, the world of commodities has achieved real entity; only in pricing all commodities for sale, are they able to express their values which they have in common.

The connection of 3 sections are: the 1st is a thesis, 2nd an anti-thesis and the 3rd a synthesis.

The money-form is not a mere extension of the 3 value-forms, no.4 or D, as shown in *Capital*; it constitutes the unification of section 1 and 2, and exhibits the completion of the commodity form.

Marx explains in the discussion of the money-form that money's direct exchangeability stems from joint actions on the part of all commodity owners to express their values in gold. This idea fails to enunciate the special character of money-form and value expression in price. Marx's great achievement lies in the fact that he has succeeded in deciphering the mystery of money by reducing the money-form into the general value-form; however, he and Marxian economists thereafter have not yet succeeded in explaining: why and how the general value-form is transformed into the money-form. This implies that the humankind has not yet completely succeeded in solving the mystery of money.

#### **IV. Problems with the money-form**

It is certain that historically the money-form was produced as a consequence of competition among candidates of general equivalent commodities in quest for the crown, money. However, this is not satisfactory as a logical derivation of the money-form. I consider that the money-form is established with simultaneous independence of the general relative form and the general equivalent form. Why does this occur? It occurs because the world of commodities, which is an abstract notion without real entity in the 1st section and invisible in the 2nd section, now in the 3rd section, reappears as a real entity with all commodities except gold in the relative form and with gold as a universal equivalent commodity, money; this arises from the simultaneous independence of the general relative form and the general equivalent form.

When all commodity owners express the values of their own commodities with money, the price-form, the world of commodities exists in reality in the minds of all commodity owners. In value expression in price, the joint actions desiring the equivalent on the part of all commodity owners have disappeared. Gold has now won the immediate exchangeability by nature, without their joint actions; Marx calls this change that gold money has won a new 'formal use-value' of immediate exchangeability.<sup>8</sup> We can explain why and how the universal exchangeability has 'finally become entwined with' gold by the logic of the independence of the general equivalent value-form, not by 'social custom', and finally solve the mystery of money in logic.

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<sup>8</sup> Lapavitsas' assertion (Lapavitsas, 2005) that money is a monopolist of the ability to buy is nothing but a definition of money. It does not explain why gold has become the monopolist, i.e. the necessity of money for commodity exchange.

The independence of the general relative form means that all use-values of commodity has won value by nature, therefore, have amount of value proportionately with amount of use-value. Hence in general, value expression in money is made in unit price; Marx's money-form, 20 yards of linen = 2 ounces of gold should be rewritten as 1 yard = 0.1 ounce of gold.

Consequently, just as the independence of the general equivalent form implies the establishment of money-form, so the independence of the general relative form means the completion of the commodity form.

### Conclusion

Originally, the notion of exchange-value holds double meaning; when it is contrasted with use-value within a commodity it implies value, and when it is contrasted with a value intrinsic to a commodity it does the expression of value with another commodity. Even Marx often used the term exchange-value to mean value until *Critique of Political Economy*, 1859. It is only when he has developed the value-form that he determines exchange-value as the expression of value distinct from value, and develops the value-form with the subtitle 'Exchange-value'. However, he stops short of a critique of the exchange-value.

The term means that all commodities are exchangeable. The exchange relation between commodity A and B,  $A=B$ , therefore, means at the same time  $B=A$ , just like the expression of weight. Marx's greatness lies in the fact that he has seen through a peculiar characteristic of value expression distinct from weight expression: the discovery of the relative value-form and the equivalent value-form.

However, owing to Marx's presupposition of the substance of value, objectified socially necessary labour in two commodities, 20 yards of linen and 1 coat, his exposition of the value-form came to allow the two commodities to be exchanged and the expanded value-form to reverse itself to the general value-form.

As Marx himself explains, the simple value-form is the abstract simple form from the money-form, value expression in price. But his abstraction: from the general, the expanded through the simple value form, remains full of problems.

This paper has discussed main points of them. In conclusion, the theory of the value-form must become a critique of the exchange-value. Later in the

production of capital introduced by the emergence of commodity labour-power and industrial capital, the substance of value is proved and the law of value is developed. Without precise understanding of the value-form, we are unable to recognize the law of value, distinct from the labour theory of value. Without precise understanding of the value-form and the law of value, a solution to the so-called transformation problem will be hopeless. In this sense as well, Marxian economics is a political economy of the value-form.

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