Harvey (S)

CONTRADICTION 2

THE SOCIAL VALUE OF LABOR AND ITS REPRESENTATION BY MONEY

Exchange value requires a measure of "how much" commodities are worth relative to each other. This measure is called money. So what is this "money" that we so unthinkingly use and re-use on a daily basis? We worry when we do not have enough of it, plot ways (sometimes devious or illegal) to get more of it, even as we find ourselves often struggling to organize our lives to live within the parameters defined by how much of it we possess. It sometimes seems as if money is the supreme God of the commodity world and that we must all bow down before it, submit to its dictates and worship before the altar of its power.

We know very well what the basic technical functions of the capitalist form of money are. It is a means or medium of circulation (facilitating exchanges in a way that solves the problem of the "non-coincidence of interests" that so limits direct barter). It provides a single measuring rod for the economic values of all commodities in the market. And it provides a way to store value. But what does money represent and how does it proliferate in its social and political functions and meanings to make it seem as if it is the lust for money that makes the social and economic world go round?

Money, in the first instance, is a claim on social labor, i.e. a claim on that labor which is expended on the production of goods and services for others (this is what differentiates a "commodity" from a "product" like the tomatoes I grow in my backyard for my own consumption). It is a claim that does not have to be exercised instantaneously (because money stores value) but at some point it has to be exercised otherwise money is not fulfilling its destiny and function.

In a capitalist society, we depend heavily upon the labor of others to provide us with all the use values we need to live. We take the availability of many of these use values for granted. We turn on a switch and the electricity comes on, the gas stove lights up at the press of a button, the windows can be opened and closed, our shoes and shirts fit, the coffee and tea of a morning are always there, the bread and the buses, the cars and the pencils and pens, the notepaper and the books, are all available to us and there are dentists and doctors and chiropractors and hairdressers, teachers, researchers lawyers and bureaucrats producing knowledge and rules – all to be had at a price!! But somebody somewhere labours to produce these things and provide these services. Most of us participate to some degree or other, directly or indirectly, in the activity of providing goods and services to others.

It is the social value of all that activity, of all that laboring, that underpins what it is that money represents. "Value" is a social relation established between the laboring activities of millions of people around the world. As a social relation, it is immaterial and invisible (like the relation between me, the writer, and you, the reader of this text). But, like moral and ethical values more generally, this immaterial value has objective consequences for social practices. In the case of social labor, "value" speaks to why shoes cost more than shirts, houses cost more than cars and wine costs more than water. These differences in value between commodities have nothing to do with their character as use values (apart from the simple fact that they all must be useful to someone somewhere) and everything to do with the social labor involved in their production.

But value being immaterial and invisible, requires some material representation. This material representation is money. Money is a tangible form of appearance as well as a symbol and representation of the immateriality of social value. But, like all forms of representation (maps come to mind), there is a gap between the representation and the social reality it is seeking to represent. The representation does a good job of capturing the relative value of social labor in some respects but it misses out and even falsifies in others (much as maps are accurate representations of some features of the world around us but misleading about others). This gap constitutes the second great foundational contradiction of capital.

Money, we can say at the outset, is inseparable from but also distinct from the social labour that constitutes value. To the degree that money hides the sociality of labor behind its material form, it is also inherently fetishistic. We mistake the representation for the reality it seeks to represent and to the degree that the representation falsifies we end up believing in and acting upon something that is false. We will look at examples shortly. The inseparability of value from its representation is important. It derives from the simple fact that without money and the commodity transactions it facilitates, value could not exist as a social relation. We cannot, therefore, appeal to value to explain both money and exchange value because the relation between value on the one hand and money and exchange on the other hand is a two-way street not a causal arrow. The relation is, as we like to say, dialectical and co-evolutionary rather than causal.

The "gap" which we encounter between social value and its representation is in fact riddled with multiple contradictions, depending very much upon the exact form the money takes. Commodity moneys (like gold and silver) contrast with coins, paper and fiat moneys (the former issued by private entities and the latter by the state) and now the electronic moneys that are becoming more and more dominant. "Money of account" dispenses with actual money payments at the moment of sale or purchase in favor of the payment of net balances at the end of a certain period (e.g. the monthly telephone bill). For firms that buy and sell, the net balances of multiple money transactions are usually far less than the total transactions because purchases and sales offset each other. Only the residual net-balance claims are actually paid. Banks, for example, clear checks from each other (this is now done electronically but it used to be done manually at clearing houses – five times a day in New York – with each bank sending runners to deposit checks at the window of the bank the check was drawn upon). At the end of the day or clearing period the net transfers between the banks may be close to zero even though a vast number of transactions may have taken place. This can be so because the checks drawn on one bank are offset by the checks deposited by many others. Money of account therefore greatly reduces the actual amount of "real" money needed. This kind of money also underpins a vast array of credit instruments and loans used to promote both production and consumption (in housing markets, for example, developers borrow to build speculative housing and consumers use mortgage finance to buy that housing). Credit moneys in themselves constitute a hugely complicated world (that some theorists regard as radically different from other moneys).

From all of this arises a peculiar and seemingly tautological use for money. Money, which supposedly measures value, itself becomes a kind of commodity – *money capital.* Its use value is that it can be used to produce more value (profit or surplus value). Its exchange value is the interest payment, which in effect puts a value on that which measures value (a highly tautological proposition!!). This is what makes money as a measure so special and so odd. Whereas other standard measures like inches and kilos cannot be bought and sold in themselves (I can only buy kilos of potatoes not kilos full stop), money can be bought and sold in itself as money capital (I can buy the use of $100 for a certain period of time)!

The simplest way to conjure up a material representation for value is to select one commodity as the value representative for all the rest. For a variety of reasons, the precious metals, gold and silver in particular, emerged historically as best suited to fulfill this role. The reasons they were selected are important. To begin with these metals were relatively scarce and there is a fairly constant accumulated supply. I cannot go into my back yard and dig up some gold or silver whenever I want. The supply of the precious metals is relatively inelastic, so they maintain their relative value against all other commodities over time (though bursts of production activity, like the California gold rush, did create some problems). Secondly, these metals do not oxidize and deteriorate (as would happen if we chose raspberries or potatoes as our money commodity): this means that they maintain their physical characteristics over the time of a market transaction and, even more importantly, they can function relatively safely as a long-term store of value. Thirdly, the physical properties of these metals are known and their qualities can be assayed accurately so their measure is easily calibrated, unlike, say, the bottles of vodka (where consumer taste could be erratic) that emerged as a form of commodity money in Russia when the monetary system collapsed in the 1990s and trading collapsed into a multilateral bartering system. The physical and material properties of these elements of the so-called natural world are used to anchor and represent the immateriality of value as social labor.

But commodity moneys are awkward to use. So coins, tokens and eventually bits of paper and then electronic moneys became much more practicable in the market places of the world. Imagine what it would be like if we had to pay for a cup of coffee on the street with the exact weight of gold or silver!! So while the commodity moneys may have provided a solid material basis to represent social labor (the British currency notes still promise "to pay the bearer" even though these notes have long ago ceased to be freely convertible into gold and silver) they were quickly displaced by far more flexible and manageable money forms. But this creates another oddity. Moneys which were originally required to give physical form to the immateriality of social labor get represented by symbols, representations and, ultimately, by numbers in computerized accounts.

When money commodities are represented by numbers, then this introduces a serious and potentially misleading paradox into the monetary system. Whereas gold and silver are relatively scarce and of constant supply, the representation of money as numbers allows the quantity of money available to expand without any technical limit. We thus see the Federal Reserve in our time adding trillions of dollars to the economy at the drop of a hat through tactics like quantitative easing. There seems no limit to such possibilities except that imposed by state policies and regulation. When the metallic basis of global moneys was totally abandoned in the 1970s, we indeed found ourselves in a potentially limitless world of money creation and accumulation. Furthermore, the rise of moneys of account and even more importantly of credit moneys (beginning with the simple use of IOU's) places a great deal of money creation in the hands of individuals and the banks rather than in the hands of state institutions. This calls forth regulatory impositions and interventions on the part of the state apparatus in what is often a desperate attempt to manage the monetary system. Astonishing and legendary episodes of inflation, such as that which occurred in the Weimar Republic in 1920s Germany, have emphasized the key role of the state in relation to maintaining confidence in the qualities and meaning of money. We will return to this when we look at the third foundational contradiction.

All these oddities in part arise because the three basic functions of money have quite different requirements if they are to be effectively performed. Commodity moneys are good at storing value but dysfunctional when it comes to circulating commodities in the market. Coins and paper moneys are great as a means or medium of payment but are less secure as a long-term store of value. Fiat currencies issued by the state with compulsory circulation (compulsory because taxes have to be paid in this currency) are subject to policy whims (e.g. debts can be inflated away). The functions are, therefore, not entirely consistent with each other. But nor are they independent. If the money cannot store value at all then it would be useless as a medium of circulation. On the other hand, if we are looking for money only as a means of circulation then fake moneys can do the job just as well as the "real" money of a silver coin. This is why gold and silver, which are great as measurers and storers of value in turn need representing in the form of notes and paper/credit moneys if commodity circulation is to remain fluid. So we end up with representations of representations of social labor as the basis of the money form! There is, as it were, a double fetish (a double set of masks behind which the sociality of human labor for others is hidden).

With the aid of money, commodities can be labeled in the market with an asking price. That price may or may not be realized depending on conditions of supply and demand. But this labeling carries with it another set of contradictions. The price actually realized in an individual sale depends on particular conditions of supply and demand in a particular place and time. There is no immediate correspondence between this singular price and the generality of value. It is only in competitive and perfectly functioning markets where we can anticipate the convergence of all these singular realized market prices around some average price that represents the generality of value. But notice: it is only because prices can diverge from value that the prices can move around so as to give a firmer representation of what value might be. However, the market process offers many opportunities and temptations to disrupt this convergence. Every capitalist longs to be able to sell at a monopoly price and to avoid competition. Hence the name branding and the logo-laden sales practices that allow Nike to charge a monopoly price that permanently ensures departure from standards of value in sneaker production! The quantitative divergence between prices and values poses a problem. Capitalists necessarily respond to prices and not to values and to the degree that there is a quantitative departure of prices from values so capitalists find themselves having to respond to the misleading representations rather than to the underlying necessities.

Furthermore, there is nothing to stop me putting this label called price on anything, no matter whether it is the product of social labor or not. I can hang the label on a plot of land and extract a rent for its use. I can, like all those lobbyists on K Street in Washington, legally buy influence in Congress or cross the line to sell conscience, honor and reputation to some highest bidder. There is not only a quantitative but a qualitative divergence between prices and values. I can make a fortune out of trafficking women, peddling drugs or clandestinely selling arms (three of the most lucrative businesses in contemporary capitalism). Even worse (if that is possible!), I can use money to make more money as if it is capital when it is not. The monetary signals diverge from what the logic of social labor should be all about. I can create vast pools of fictitious capital – money capital loaned out to activities that create no value at all even as they are highly profitable in money terms and return interest to me. State debt to fight wars has always been funded by the circulation of fictitious capital – people lend to the state and get repaid with interest out of state tax revenues even though the state is destroying and not creating any value at all.

So here is yet another paradox. Money that is supposed to represent the social value of creative labor takes on a form – fictitious capital – that circulates as to line the pockets of the financiers and bond holders while extracting wealth from all sorts of non-productive activities. If you do not believe this, then you have to look no further than the recent history of the housing market to see exactly what I mean. Speculation on housing values is not a productive activity, yet vast amounts of money flowed into the housing market up until 2007-8 because the rate of return on investments was very high due to rapidly rising housing prices predicated on easy credit that was then marketed around the world in the form of collateralized debt obligations and other strange instruments that were supposed to be investments "as safe as houses". This was fictitious capital run wild and we are still paying the real price for its excesses.

The contradictions that arise around the money form are, therefore, multiple. Representations, as we have already noted, falsify even as they represent. In the case of gold and silver as representations of social value, we see that we are taking the particular circumstances for the production of those precious metals as a general measure of the value congealed in all commodities. We in effect take a particular use value (the gold metal) and use it to represent exchange value in general. Above all, we take something that is inherently social and represent it in such a way that it can be appropriated as a form of social power by private persons. This last contradiction has deep and in some ways devastating consequences for the contradictions of capital in general.

To begin with, the fact that money permits social power to be appropriated and exclusively utilized by private persons places money at the center of a wide range of noxious human behaviors – lust, greed, and desire for money power inevitably become central features in the body politic of capitalism. All sorts of fetishistic behaviors and beliefs center on the lust and desire for money power. The desire for money can thus diverge substantially from the demand-supply relation required to facilitate exchange, thus throwing a monkey-wrench into the supposed rationality of capitalist markets.

Whether, for example, greed is an innate human behavior or not can doubtless be debated (Marx, for example, did not believe so). But what is certain is that the rise of the money form and the capacity for its private appropriation has created a space for the proliferation of human behaviors that are anything but virtuous and noble. Accumulations of wealth and power (accumulations that were ritually disposed of in the famous pot-latch system of pre-capitalist societies) have not only been tolerated but welcomed and treated as something to be admired. This led John Maynard Keynes to hope that:

"When the accumulation of wealth is no longer of high social importance, there will be great changes in the code of morals. We shall be able to rid ourselves of many of the pseudo-moral principles which have hag-ridden us for two hundred years, by which we have exalted some of the most distasteful of human qualities into the position of the highest virtues. We shall be able to afford to dare to assess the money motive at its true value. The love of money as a possession – as distinguished from the love of money as a means to the enjoyments and realities of life – will be recognized for what it is, a somewhat disgusting morbidity, one of those semicriminal, semi-pathological propensities which one hands over with a shudder to the specialists on mental disease. All kinds of social customs and economic practices, affecting the distribution of wealth and of economic rewards and penalties, which we now maintain at all costs, however distasteful and unjust they may be in themselves, because they are tremendously useful in promoting accumulation of capital, we shall then be free, at last, to discard."

So what should the anti-capitalist response be to all this? To the degree that the circulation of speculative fictitious capital inevitably leads to crashes which exact a huge toll from capitalist society in general (and even more tragically from the most vulnerable populations therein), so an outright assault on the speculative excesses and the (largely fictitious) monetary forms that have evolved to promote them necessarily become the focus of political struggle. To the degree that these speculative forms have underpinned the immense increases in social inequality and in the distribution of wealth and power such that an emergent oligarchy – the infamous one percent (which is really the even more infamous 0.1 percent) – now effectively controls the levers of all global wealth and power, so this also defines obvious lines of class struggle crucial to the future well-being of the mass of humanity.

But this is only the more obvious tip of the iceberg. Money is, it bears repeating, as inseparable from value as exchange value is inseparable from money. The bonds between the three are tightly woven. If exchange value weakens and ultimately disappears as the guiding means by which use values are both produced and distributed in society, so the need for money and all of the lustful pathologies associated with its use (as capital) and possession (as a consummate source of social power) will also disappear. While the utopian aim of a social order without exchange value and therefore moneyless needs to be articulated, the intermediate step of designing quasi-money forms that facilitate exchange but inhibit the private accumulation of social wealth and power becomes imperative. This can be done, as Silvio Gisell long ago proposed, through the creation of quasi-money forms that oxidize if not used. The fundamental inequality between commodities (use values) that decay and a money form (exchange value) that does not has to be rectified.

As Gesell puts it, "only money that goes out of date like a newspaper, rots like potatoes, evaporates like ether, is capable of standing the test as an instrument of exchange of potatoes, newspapers, iron and ether." This is now feasible, in ways that were not available before, with electronic moneys. An oxidization schedule, of the sort incorporated into bioecon, can easily be written into monetary accounts such that unused moneys get dissolved after a certain time. This cuts the bond between money as a means of circulation and money as a measure and even more significantly as a store of value (and hence a primary means for the accumulation of private wealth and power).

Obviously, moves of this sort would require wide-ranging adjustments of other facets of the economy. With oxidization of money, for example, the savings function would disappear as would all other monetary claims upon future labor. While this may seem a draconian move (dissolving all the pension funds, for example), it should immediately be noted that future claims of this sort would in any case be worthless in the event that no future social labor materialized upon which such claims could be exercised. Pension fund claims, as bitter experience is now teaching, are contingent and not secure. Far better that each participant in social labor be guaranteed their aliquot part of a claim on future social labor directly (in somewhat the same way that Social Security payments are now organized around current flows rather than resting on savings for the future). A guaranteed minimum income (or minimal access to a collectively managed pool of use values) for all would, for example, obviate entirely the need for savings to guarantee future economic security.

The focus would then have to be on what really matters, which is the continuous creation of use values through social labor and the eradication of exchange value as the principle means by which the production of use values is organized. Marx, for one, believed that reforms within the monetary system would not in themselves guarantee the dissolution of the power of capital and that it was illusory to believe that tinkering with monetary forms could be the cutting edge of revolutionary change. He was, I believe, correct in this supposition. But what I think his analysis also makes clear, is that the evolution of an anti-capitalist alternative would require as a necessary but not sufficient condition a radical reconfiguration of how exchange is organized and the ultimate dissolution of the power of money not only over social life but, as Keynes indicates, over our mental and moral conceptions of the world. Envisaging a moneyless economy is one way to get a measure of what an anti-capitalist alternative might look like. It may be a long way off, but it is important to frame political ambitions and political thought around this as an ultimate objective.

Politics of this sort become more imperative when we consider an even more dangerous problem. The form that money assumes once it has achieved the status of a double fetish – an abstracted representation (pure numbers) of a concrete representation (like gold and silver) of the immateriality of social labor - permits the illusion to flourish that limitless and unending growth is not only possible but desirable. Even a casual examination of the conditions pertaining to the development of social labor shows that compounding growth for ever is impossible. This, as shall later see, constitutes what I consider to be one of the three fatal contradictions of capital and, hence, of capitalism in general.