KARL MARX
FREDERICK ENGELS

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Now we know where Bastiat learnt his lesson,[a] I nearly said his "Schmalz".

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[a] The German phrase used by Marx here contains the word *Fett* (English, fat), making a word play with the name Schmalz (fat or grease).— *Ed.*

FREDERICK ENGELS

[SYNOPSIS OF VOLUME ONE OF *CAPITAL* BY KARL MARX[180]]

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CAPITAL BY KARL MARX, VOL. I. BOOK ONE—THE PROCESS OF CAPITALIST PRODUCTION [181]

Chapter I

COMMODITIES AND MONEY[a]

1. COMMODITIES AS SUCH

The wealth of societies in which capitalist production prevails consists of *commodities.* A commodity is a thing that has *use-value*; the latter exists in all forms of society, but in capitalist society, use-value is, in addition, the material depository of *exchange-value.*

Exchange-value presupposes a *tertium comparationis*[b] by which it is measured: labour, the common social substance of exchange-values, to be precise, the *socially necessary labour-time* embodied in it.

Just as a commodity is something twofold: use-value and exchange-value, so the labour contained in it is twofold determined: on the one hand, as *definite productive activity,* weaving labour, tailoring labour, etc.—*useful labour*; on the other, as the *simple expenditure of human labour-power, precipitated abstract labour.* The former produces use-value, the latter exchange-value; only the latter is quantitatively comparable (the differences between SKILLED and UNSKILLED, complex and simple labour *confirm* this).

Hence the substance of exchange-value is abstract labour and its magnitude is the measure of time of abstract labour. Now to consider the form of exchange-value.

(1) x commodity $a=y$ commodity b; value of a commodity expressed in the use-value of another is its *relative value.* The expression of the equivalence of two commodities is the simple form of relative value. In the above equation *y commodity b* is the

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[a] This chapter corresponds to Part I of the 1887 English edition (Chapter I.—Commodities, Chapter II.—Exchange, Chapter III.—Money, or the Circulation of Commodities).—*Ed.*

[b] Literally: a third something for comparison; here a standard.—*Ed.*

equivalent. In it *x commodity a* acquires its value-form in contrast to its [the commodity's] natural form, while *y commodity b* acquires at the same time the property of direct exchangeability, even in its natural form. Exchange-value is impressed upon the use-value of a commodity by definite historical relations. Hence the commodity cannot express its exchange-value in its own use-value, but only in the use-value of another commodity. Only in the equation of two concrete products of labour does the property of the concrete labour contained in both come to light as abstract human labour, i.e., a commodity cannot be related to the concrete labour contained in itself, as the mere form of realisation of abstract labour, but it can be so related to the concrete labour contained in other kinds of commodities.

The equation *x* commodity *a=y* commodity *b* necessarily implies that *x* commodity *a* can also be expressed in other commodities, thus:

(2) *x* commodity *a=y* commodity *b=z* commodity *c=v* commodity *d=u* commodity *e*=, etc., etc. This is the *expanded* relative form of value. Here *x* commodity *a* no longer refers to one, but to *all* commodities as the mere forms of manifestation of the labour represented in it. But through simple reversal it leads to

(3) the converse second form of relative value:

y commodity *b=x* commodity *a*
v commodity *c=x* commodity *a*
u commodity *d=x* commodity *a*
t commodity *e=x* commodity *a*

etc., etc.

Here the commodities are given the *general relative form of value,* in which all of them are abstracted from their use-values and equated to *x commodity a* as the materialisation of abstract labour; *x* commodity *a* is the generic form of the equivalent for all other commodities; it is their *universal equivalent*; the labour materialised in it at once represents in itself the realisation of abstract labour, general labour. Now, however,

(4) *every* commodity of the series can take over the role of universal equivalent, but only one of them can do so *at a time,* since if *all* commodities were universal equivalents, each of them would in turn exclude the others from that role. Form 3 is not obtained by *x* commodity *a,* but by the other commodities, objectively. Hence a definite commodity must take over the role—for a time, it can change—and only in this way does a commodity become a commodity completely. This special commodity, with whose natural form the universal equivalent form becomes identified, is *money.*

The *difficulty* with a *commodity* is that, like all categories of the capitalist mode of production, it represents a personal relationship under a material wrapping. The producers relate their different kinds of labour to one another as general human labour by relating their products to one another as *commodities*—they cannot accomplish it without this mediation of things. The relation of *persons* thus *appears* as the relation of *things.*

For a society in which commodity production prevails, Christianity, particularly Protestantism, is the fitting religion.

2. THE PROCESS OF COMMODITY EXCHANGE

A commodity proves that it is a commodity in exchange. The owners of two commodities must be willing to exchange their respective commodities and therefore to recognise each other as *private owners.* This legal relation, the *form* of which is the contract, is only a relation of wills, reflecting the economic relation. Its *content* is given by the economic relation itself. (P. 45.)

A commodity is a use-value for its non-owner, a non-use-value for its owner. Hence the need for exchange. But every commodity owner wants to get in exchange specific use-values that he needs—to that extent the exchange is an individual process. On the other hand, he wants to realise his commodity as value, that is, in any suitable commodity, whether or not *his* commodity is use-value to the owner of the other commodity. To that extent the exchange is for him a generally social process. But one and the same process cannot be simultaneously both individual and generally social for all commodity owners. Every commodity owner regards *his own* commodity as the universal equivalent, while all other commodities are so many particular equivalents of his own. Since *all* commodity owners do the same, *no* commodity is the universal equivalent, and hence *no* commodity possesses a general relative form of value, in which they are equated as values and compared as magnitudes of value. Therefore they do not confront each other at all as commodities, but only as products. (P. 47.)

Commodities can be related as values and hence as commodities only by comparison with some other commodity as the universal equivalent. But only the *social act can make a particular commodity the universal equivalent—money.*

The immanent contradiction in a commodity as the direct unity of use-value and exchange-value, as the product of useful private labour ... and as the direct social materialisation of abstract human labour—this contradiction finds no rest until it results in duplicating the commodity into commodity and money. (P. 48.)

Since all other commodities are merely particular equivalents of money, and money is their universal equivalent, they are related to money as *particular* commodities to the universal commodity. (P. 51.) The process of exchange gives the commodity which it converts into money, not its *value,* but its value-*form.* (P. 51.) Fetishism: a commodity does not seem to become money only because the other commodities all express their values in it, but conversely, they seem to express their values in it because it *is money.*

3. MONEY, OR THE CIRCULATION OF COMMODITIES

A. *The Measure of Values (Assuming Gold=Money)*

Money, as the measure of value, is the necessary *form of manifestation* of the measure of value *immanent* in commodities, i.e., *labour-time.* The simple, relative expression of the value of commodities in money, x commodity $a=y$ money, is their price. (P. 55.)

The price of a commodity, its money-form, is expressed in *imaginary money*; hence money is the *measure of values* only ideally. (P. 57.)

Once the change from value to price is effected, it becomes technically necessary to develop the measure of values further, into the *standard of prices*; i.e., a quantity of gold is fixed, *by which different quantities of gold are measured.* This is quite different from the measure of values, which itself depends upon the value of gold, while the latter is immaterial for the standard of prices. (P. 59.)

Once prices are expressed in accounting names of gold, money serves as *money of account.*

If price, as the exponent of the magnitude of a commodity's value, is the exponent of its exchange ratio with money it does *not* follow conversely that the exponent of its exchange ratio with money is *necessarily* the exponent of the magnitude of its value. Assuming that circumstances permit or compel the sale of a commodity above or below its value, these selling prices do not correspond to its value, but they are none the less *prices* of the commodity, for they are (1) its value-form, money, and (2) exponents of its exchange ratio with money.

The possibility, therefore, of quantitative incongruity between price and magnitude of value is *given in the price-form itself.* That is no defect of this form, but on the contrary makes it the adequate form of a mode of production in which the rule can impose itself only as a blindly-acting law of averages of irregularity. The price-form, however, can also ... harbour a qualitative contradiction, so that price ceases altogether to be an expression of value... Conscience, honour, etc., can ... acquire the form of commodities through their price. (P. 61.)

Measurement of values in money, the price-form, implies the necessity of alienation, the ideal pricing implies the actual. Hence circulation.

B. *The Medium of Circulation*

a. The Metamorphosis of Commodities

Simple form: $C—M—C$. Its material content$=C—C$. Exchange-value is alienated and use-value appropriated.

α) First phase: $C—M=$ sale, for which two persons are required, hence the possibility of failure, i.e., of sale below value, or even below the cost of production, if the social value of the commodity changes. "The division of labour converts the product of labour into a commodity, and thereby makes *necessary* its further conversion into money."[a] At the same time it also makes the accomplishment of this transubstantiation quite *accidental.* (P. 67.) But, considering the phenomenon in its *pure* form, $C—M$ presupposes that the possessor of the money (unless he is a producer of gold) previously got his money through exchange for another commodity; hence it is not only conversely $M—C$ for the *buyer,* but it presupposes that he made a previous sale, etc., so that we have an endless series of purchases and sales.

β) The same takes place in the second phase, $M—C$, i.e., *purchase,* which is, at the same time, a sale for the other party.

γ) The total process hence is a circuit of purchases and sales. *The circulation of commodities.* This is quite different from the direct exchange of products; first, the individual and local bounds of the direct exchange of products are broken through, and the interchange of matter of human labour is effected; on the other hand, here it already appears that the whole process depends upon

[a] See K. Marx, *Capital,* Vol. I, London, 1887, p. 81.—*Ed.*

social relations spontaneous in their growth and independent of the actors. (P. 72.) Simple exchange was extinguished in the one act of exchange, where each exchanges non-use-value for use-value; circulation proceeds indefinitely.

(P. 73.) Here the false economic dogma: *the circulation of commodities involves a necessary equilibrium of purchases and sales, because every purchase is also a sale and vice versa—which is to say that every seller also brings his buyer to market with him.* (1) Purchase and sale are, on the one hand, an identical act of two polarly opposite persons; on the other hand, they are two polarly opposite acts of one and the same person. Hence the identity of purchase and sale implies that the commodity is useless unless it is sold, and likewise that this case *can* occur. (2) *C—M*, as a partial process, is similarly an independent process and implies that the acquirer of money can choose the time when he again converts this money into a commodity. He can *wait.* The inner unity of the independent processes *C—M* and *M—C* moves in external antitheses precisely because of the independence of these processes; and when these dependent processes reach a certain limit of independence, *their unity asserts itself in a crisis.* Hence the *possibility* of the latter is already given here.

Being the intermediary in commodity circulation, money is the *medium of circulation.*

b. The Currency of Money

Money is the medium by which each individual commodity goes into, and out of, circulation; it always remains therein itself. Hence, although the circulation of money is merely the *expression* of commodity circulation, the circulation of commodities *appears* to be the result of money circulation. Since money always remains within the sphere of circulation, the question is: *how much* money is present in it?

The quantity of money in circulation is determined by the *sum of the prices of commodities* (money-value remaining the same), and the latter by the *quantity of commodities* in circulation. Assuming that this quantity of commodities is given, the circulating quantity of money fluctuates with the *fluctuations* in the prices of commodities. Now, since one and the same piece of money always mediates a number of transactions in succession in a given time, for a given interval of time we have:

$$\frac{\text{Sum of the prices of commodities}}{\text{Number of moves made by a piece of money}} = \text{Quantity of money functioning as the circulation medium. (P. 80.)}$$

Hence paper money can displace gold money if it is thrown into a saturated circulation.

Since the currency of money only *reflects* the process of commodity circulation, its rapidity reflects that of the change in the form of the commodities, its stagnation, the separation of purchase from sale, the stagnation of social interchange of matter. The origin of this stagnation cannot, of course, be seen from circulation itself, which merely puts in evidence the phenomenon itself. The philistines attribute it to a deficient quantity of the circulation medium. (P. 81.)

Ergo: (1) If the prices of commodities remain constant, the quantity of money circulating rises when the quantity of circulating commodities increases or the circulation of money is retarded; and drops *vice versa.*

(2) With a general rise in the prices of commodities, the quantity of money circulating remains constant if the quantity of commodities decreases or the velocity of circulation increases in the same proportion.

(3) With a general drop in the prices of commodities, the converse of (2).

In general, there is a fairly constant average from which significant deviations occur almost exclusively as a result of *crises.*

c. Coin: Symbol of Value

The standard of prices is fixed by the state, as are also the denomination of the particular piece of gold—the coin, and its coining. In the world market the respective national uniforms are doffed again (seigniorage is disregarded here), so that coin and bullion differ only in form. But *a coin wears away* during circulation; gold as a circulation medium differs from gold as a standard of prices. The coin becomes more and more a *symbol* of its official content.

Herewith the latent possibility is given of replacing metallic money by tokens or symbols. Hence: (1) small coinage of copper and silver tokens, the permanent establishment of which in place of real gold money is prevented by limiting the quantity in which they are LEGAL TENDER. Their metallic content is determined purely arbitrarily by law, and thus their function as coinage becomes independent of their *value*. Hence the further step to *quite worthless* symbols is possible. (2) *Paper money*, i.e., *paper money issued by the state, having compulsory rate* (credit money not to be discussed here as yet). So far as this paper money actually circulates in place of gold money, it is subject to the laws of gold circulation. Only the proportion in which paper replaces gold can be the object of a special law, which is that the issue of paper money is to be limited to the quantity in which the gold represented by it would actually have to circulate. The degree of saturation of the circulation fluctuates, to be sure, but everywhere experience determines a minimum below which it never falls. This minimum can be issued. If more than the minimum is issued, a portion becomes superfluous as soon as the degree of saturation drops to the minimum. In that case the total amount of paper money within the commodity world still represents only the quantity of gold fixed by that world's immanent laws, and hence alone representable.

Thus, if the amount of paper money represents twice the absorbable amount of gold, each piece of paper money is depreciated to half its nominal value. Just as if gold were changed in its function as the measure of prices, in its value. (P. 89.)

C. *Money*

a. Hoarding

With the earliest development of commodity circulation there develops the need, and the passionate desire, to hold fast the product of *C—M*, money. From a mere agency of interchange of matter, this change of form becomes an *end in itself*. Money petrifies into a *hoard*; the commodity seller becomes a *money hoarder*. (P. 91.)

This form was dominant precisely in the beginnings of commodity circulation. *Asia*. With further development of commodity circulation every producer of commodities must secure for himself the *nexus rerum*,[a] the social pledge—money. Thus HOARDS accumulate everywhere. The development of commodity circulation increases the power of money, the absolutely social form of wealth always ready for use. (P. 92.) The urge for hoarding is by

[a] The bond between things.—*Ed.*

nature boundless. *Qualitatively*, or with respect to its form, money is unrestricted, i.e., the universal representative of material wealth, because it is directly convertible into any other commodity. But *quantitatively*, every actual sum of money is limited, and therefore of only limited efficacy as a means of purchasing. This contradiction always drives the hoarder back, again and again, to the Sisyphus-like labour of accumulation.

Besides, the accumulation of gold and silver IN PLATE creates both a new market for these metals and a latent source of money.

Hoarding serves as a *conduit for supplying or withdrawing circulating money* with the continuous fluctuations in the degree of saturation of the circulation. (P. 95.)

b. Means of Payment

With the development of commodity circulation new relations appear: the alienation of a commodity can be separated in time from the realisation of its price. Commodities require different periods of time for their production; they are produced in different seasons; some must be sent to distant markets, etc. Hence *A* can be a seller before *B*, the buyer, is able to pay. Practice regulates the conditions of payment in this way: *A* becomes a *creditor, B a debtor*; money becomes a *means of payment*. Thus the relation of *creditor and debtor* already becomes *more antagonistic*. (This can also occur independently of commodity circulation, e.g., in antiquity and the Middle Ages.) (P. 97.)

In this relation, money functions: (1) as the measure of value in the determination of the price of the commodity sold; (2) as an ideal means of purchase. In the hoard, money was *withdrawn* from circulation; here, being a means of payment, money enters circulation, but only after the commodity has left it. The indebted buyer sells in order to be able to *pay*, or he will be put up for auction. Therefore, money now becomes *the sale's end in itself* through a social necessity arising out of the relations of the very circulation process. (Pp. 97-98.)

The lack of simultaneity of purchases and sales, which gives rise to the function of money as a means of payment, at the same time effects an economy of the circulation media, payments being concentrated at a definite place. The *virements*[a] in Lyons in the Middle Ages—a sort of CLEARING-HOUSE, where only the net balance of the mutual claims is paid. (P. 98.)

In so far as the payments balance one another, money functions

[a] Remittance by draft from own account to another.—*Ed.*

only ideally, as *money of account* or measure of values. In so far as actual payments have to be made, it does not appear as a circulation medium, as only the vanishing and mediating form of interchange of matter, but as the individual embodiment of social labour, as the independent existence of exchange-value, as the *absolute commodity*. This *direct contradiction* breaks out in that moment of production and commercial crises *that is called a monetary crisis*. It occurs only where the progressing chain of payments, and an artificial system of settling them, are fully developed. With more general disturbances of this mechanism, no matter what their origin, money changes suddenly and immediately from its merely ideal shape of *money of account into hard cash*; profane commodities can no longer replace it. (P. 99.)

Credit money originates in the function of money as a means of payment; certificates of debt themselves circulate in turn to transfer these debts to others. With the system of credit the function of money as a means of payment again expands; in that capacity money acquires its own forms of existence, in which it occupies the sphere of large-scale commercial transactions, while coin is largely relegated to the sphere of retail trade. (P. 101.)

At a certain stage and volume of commodity production the function of money as a means of payment spreads beyond the sphere of circulation of commodities; it becomes the *universal commodity of contracts. Rents, taxes, and the like are transformed from payments in kind into money payments. Cf.* France under Louis XIV. (Boisguillebert[a] and Vauban)[182]; on the other hand, Asia, Turkey, Japan, etc. (P. 102.)

The development of money into a means of payment necessitates the accumulation of money against the date when payment is due. Hoarding which, as a distinct form of acquiring riches, vanished as society further developed, again appears as a reserve fund of the means of payment. (P. 103.)

c. World Money

In world trade the local forms of coin, small coinage, and tokens of value are discarded and only the bullion form of money is valid as *world money. Only in the world market does money function to the full extent as the commodity whose natural form* is *at the same time the immediate social materialisation of human labour in the abstract.* Its mode of existence becomes adequate to its concept. (P. 104; details p. 105.)

[a] A reference to P. Boisguillebert, "Dissertation sur la nature..." in *Économistes financiers du XVIII-e siècle*, Paris, 1843, pp. 413, 419 and 417.—*Ed.*

Chapter II

THE TRANSFORMATION OF MONEY INTO CAPITAL[a]

1. THE GENERAL FORMULA FOR CAPITAL

Commodity circulation is the starting point of capital. Hence commodity production, commodity circulation and the latter's developed form, commerce, are always the historical groundwork from which capital arises. The modern history of capital dates from the creation of modern world trade and the world market in the sixteenth century. (P. 106.)

If we consider only the economic forms produced by commodity circulation, we find that its final product is money, and the latter is the *first form in which capital appears.* Historically, capital invariably confronts landed property at first as *moneyed wealth,* merchant capital or usurer's capital, and even today all new capital first comes on the stage in the shape of *money* that by definite processes has to be transformed into capital.

Money as money and money as capital differ, to begin with, only in their **form** *of circulation.* Alongside *C—M—C,* the form *M—C—M,* buying in order to sell, also occurs. Money that describes this form of circulation in its movement *becomes* capital, is already capital in itself (i.e., by its destination).

The result of *M—C—M* is *M—M,* the indirect exchange of money for money. I buy cotton for £100 and sell it for £110; ultimately I have exchanged £100 for £110, money for money.

If this process yielded at its outcome the same money-value that was originally put into it, £100 out of £100, it would be absurd. Yet whether the merchant realises £100, £110, or merely £50 for

[a] This chapter corresponds to Part II of the 1887 English edition (Chapter IV.—The General Formula for Capital, Chapter V.—Contradictions in the General Formula of Capital, Chapter VI.—The Buying and Selling of Labour-Power).—*Ed.*