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MARX'S THEORY OF MONEY AND MONETARY PRODUCTION ECONOMY

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Abstract

Most classical and neoclassical economists have treated money as being neutral in the sense that it has no effect on the motives and decisions of economic agents. In the real world, however, money affects the behaviors of agents through many channels. An alternative framework is required to analyze the monetary production economy characterized by the '*money-commodity-more money*' circuit aimed at realizing monetary profits. This paper examines Marx's theory of money in view of Keynes's taxonomy of economic systems to show that a specific use-value of money is the key to understanding the monetary production economy.

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I. *Introduction*

In the tradition of the "pure exchange model" originating from the Marginalist theories in the late nineteenth century, most neoclassical economists have focused on the optimum allocation of scarce resources through market mechanisms, relying on the concept of wealth as initial endowment. On the other hand, in the tradition of 'theories of production,' which originated from classical economists and Marx, and then has been elaborated by Leontief, Sraffa and their successors, the main focus has been to study the reproduction process of capitalist economy, on the basis of the concept of wealth as "*produced* wealth".[1] From the perspective of the political economy approach as an alternative to the tradition of the "pure exchange model", more attention should be paid to the monetary aspects of the contemporary capitalist economy with its highly developed global financial systems.

As Hyman Minsky, an advocate of "financial instability hypothesis", pointed out, the pure exchange models of neoclassical economics have painted a poor picture of the real capitalist economy with its well-developed financial system.

> Construction of standard economic theory — the neoclassical synthesis — starts by

[1] Pasinetti (1977), p.24.

> examining bartering, such as might take place at a village fair, and proceeds by adding production, capital assets, money, and financial assets to the basic model. Such a village fair paradigm shows that a decentralized market mechanism can lead to a coherent result, but it cannot explain the periodic rupturing of coherence as an endogenous phenomenon. In Keynes's view, the rupturing of coherence originates in financial usages and spreads by way of investment activity. In order to explain how this takes place, it is necessary to abandon the village fair paradigm and the definition of money as merely an expediter of transactions.
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> In the *General Theory* Keynes adopts a City or a Wall Street paradigm: the economy is viewed from the boardroom of a Wall Street investment bank. Theorizing starts by assuming a monetary economy with sophisticated financial institutions. In such an economy, money is not just a generalized ration point that makes the double coincidence of wants unnecessary for trading to take place; money is a special type of bond that emerges as positions in capital assets are financed.[2]

Minsky's critique of the pure exchange models can be restated as follows. First, most mainstream economists in the tradition of neo-classical synthesis have treated money as a vehicle to facilitate commodity exchange, which could break down due to the lack of coincidence of needs among market participants. To put it another way, in studying the real monetary economy, classical and neoclassical economists have focused on the transition from the barter economy (what Minsky called "a village fair") to an indirect exchange of commodities mediated by money. Second, periodic economic crises in the real capitalist economy are rooted in the "financial usages", and could be exacerbated by the investment behavior of individual capitalists. Third, the instability of the capitalist economy can be analyzed only in the context of "the Wall Street paradigm" representing the contemporary monetary economy with its well-developed financial systems, rather than in the context of "the village fair paradigm" with money as a vehicle to facilitate commodity exchange.

The framework of pure exchange models confines our perspective to the "simple circulation of commodities"[3] (represented by ***C-M-C*** [*commodity-money-another commodity*], where ***C*** and ***M*** stand for commodity and money, respectively) aimed at meeting individuals' need for goods. From this perspective, money can be treated as being neutral in the sense that it has no effect on the motives and decisions of the parties to transaction. In the real capitalist economy, however, money affects the behaviors of economic agents, as seen in the entrepreneur's decision to invest depending on the expected profitability. The political economy approach has to provide an alternative framework to analyze the monetary production economy characterized by "the circulation of money as capital"[4] (represented by M-C-M' [*money-commodity-more money*] circuit, where $M' = M + \Delta M$, the increment ΔM stands for 'surplus value') aimed at realizing monetary profits. The M-C-M' circuit is "the general formula for capital, in the form in which it appears directly in the sphere of circulation",[5] reflecting the circuit M-C-C-M' of commercial capital[6] or the M-C $(Pm, Lp)\ldots P \ldots C'$-$M'$ of industrial capital (where Pm

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[2] Minsky (1986), p.61.

[3] Marx (1976), p.250.

[4] Ibid., p.253.

[5] Ibid., p.257.

[6] In the circuit of commercial capital, money may be advanced to purchase commodities, and these same commodities may then be resold for more money including commercial profits.

and Lp stand for means of production and labor power, respectively).[7] In the circuit of industrial capital, money (M) may be advanced to purchase commodities (C) comprised of means of production (Pm) and labor power (Lp), those elements being employed in the production process ($\ldots P \ldots$), and then the resultant product (C') may be sold for more money (M') including profits. The real capitalist economy requires surplus value (or profits) not only to be appropriated by capitalists in the form of produced commodities, but also to be realized in their sales.[8] The political economy approach to the real capitalist economy, as an alternative to the traditional "pure exchange model", has to provide the framework to analyze the M-C-M' circuit and concomitant realization of profits, which raise the following questions.

First, the distinction between the direct exchange of commodities (or, barter, represented by C-C) and the indirect exchange mediated by money (C-M-C) contributes little to understanding the M-C-M' circuit and the realization of monetary profits. The indirect exchange of different commodities, whose purpose is to meet individuals' needs for use-values, is fundamentally different from the M-C-M' circuit aimed at realization of monetary profits. In the framework of indirect exchange (C-M-C), money is neutral in the sense that it serves only as a vehicle to facilitate commodity exchange, dealing with the lack of coincidence of needs among market participants, as is the case with the traditional "pure exchange model". By contrast, in the M-C-M' circuit, money is non-neutral because, as we shall see later, money enters into the decision making of economic agents, as seen in capitalists' decision to invest depending on expected profitability.

Second, a framework for analyzing the M-C-M' circuit should include not only various use-values but also "a formal use-value" originating in the specific social role of money as a "universal equivalent".[9] In the framework containing a formal use-value of money, the money (M) acquired by the initial owner of commodity (C) through its sale (C-M) serves as a specific use-value originating in the social role of money as a universal equivalent, namely, as the universal form assumed by all values of all commodities.[10] Thus, a use-value *sui generis* arising from the social role of money as a universal equivalent makes the formula M-C-M' aimed at acquiring more money meaningful to market participants, and allows money to enter into the decision making of individual economic agents.

Third, the realization of monetary profits for the whole economy cannot be analyzed without taking into consideration the credit money and the well-developed banking system. From the Post-Keynesian perspective originating in Kalecki,[11] given the money creation through the well-developed banking system in addition to idle capacity and unemployed labor, monetary profits are realized through capitalists' expenditure on newly produced capital goods. Within the model of commodity money derived from commodity exchange based on equal quantities of labor, realization of profits for the whole economy cannot be analyzed.

This paper considers how to construct an appropriate framework for understanding the M-C-M' circuit and realization of monetary profits, through examining Keynes's perspective of

[7] The abbreviated formula M-M' represents the circuit of financial capital, in which money may be advanced as a loan in return for a future repayment of M'covering both principal and interest on it.

[8] "The conditions for immediate exploitation and for the realization of that exploitation are not identical. Not only are they separate in time and space, they are also separate in theory." (Marx (1981), p.352).

[9] Marx (1976), p.184.

[10] Ibid., p.159.

[11] Kalecki (1971), p.29.

the monetary production economy and Marx's theory of money. Section 2 examines Keynes's article "A Monetary Theory of Production"[12] and the drafts of his *General Theory* to confirm that the distinction between barter (*C*-*C*) and the indirect exchange (*C*-*M*-*C*) presupposes neutral money serving only as a medium of exchange, and that the distinction between "corporate economy" (*C*-*M*-*C*) and "entrepreneur economy" (M-C-M') is the key to understanding the real capitalist economy. Section 3 examines Marx's theory of commodity money in the first volume of *Capital* to confirm that the "formal use-value of money" originating in the social role of money as a "universal equivalent" is crucial in understanding the distinction between the "simple circulation of commodities" (*C*-*M*-*C*) and the "circulation of money as capital" (M-C-M'), and the key to break away from a model of neutral money. Section 4 concludes with brief remarks on the realization of monetary profits in the analytical framework based on credit money.

II. *Money in the Real Capitalist Economy as "Entrepreneur Economy"*

This section shows that the key to understanding the real capitalist economy is the distinction between the indirect exchange (*C*-*M*-*C*) and the entrepreneur economy (the M-C-M' circuit), rather than that between barter (*C*-*C*) and indirect exchange (*C*-*M*-*C*), from the perspective of Keynes's taxonomy of economic systems.

Keynes pointed out the difference between the traditional view of money and his own "*monetary theory of production*".[13] In the traditional view, "the distinction which is normally made between a barter economy and a monetary economy depends on the employment of money as a convenient means of effecting exchanges — as an instrument of great convenience, but transitory and neutral in its effect". Keynes went on to characterize the indirect exchange mediated by money (*C*-*M*-*C*) as "an economy, which uses money but uses it merely as a neutral link between transactions in real things and real assets and does not allow it to enter into motives or decisions, might be called — for want of a better name — a *real-exchange economy*".[14] In other words, a money serving only as a medium of exchange cannot enter into the "motives and decisions" of economic agents. That is why Keynes characterized the indirect exchange mediated by money (*C*-*M*-*C*) as "*real-exchange economy*". From his perspective, the real monetary economy should be defined as "an economy in which money plays a part of its own and affects motives and decisions and is, in short, one of the operative factors in the situation, so that the course of events cannot be predicted, either in the long period or in the short, without a knowledge of the behavior of money between the first state and the last".[15] As noted by Keynes, in the real world, money is non-neutral in the sense that it affects the "motives and decisions" of economic agents, and the expected monetary profits (as indicated by "the behavior of money between the first state and the last") matter both in the short run and in the long run. Thus, the real "monetary economy" can be interpreted to correspond to the M-C-M' circuit, or what Keynes later called the "entrepreneur economy".

It follows that the key to understanding the real monetary economy is the distinction

[12] Keynes (1933) and Keynes (1979).
[13] Keynes (1933), p.408.
[14] Ibid., p.408.
[15] Ibid., pp.408-9.

between the "real exchange economy" and the "entrepreneur economy", rather than that between the barter economy and the "real exchange economy". As shown above, in the traditional view, money is treated as a medium of exchange, which everyone is willing to receive in order to break the deadlock in commodity exchanges resulting from the lack of coincidence of needs among market participants. Such an explanation of money as a medium of exchange, which has been adopted not only by Adam Smith[16] but also by authors of economics textbooks, inevitably leads to the perspective based on neutral money with little impact on the motives and decisions of economic agents.

Based on the key issues above, Keynes put forward his perspective of the real monetary economy in a chapter titled "the distinction between a co-operative economy and an entrepreneur economy" in the draft of the *General Theory of Employment* (dated in December 1933).[17] Keynes pointed out in more detail the difference between the "cooperative economy" and the "entrepreneur economy", using Marx's formulae of "simple circulation of commodities" (*C*-*M*-*C*) and the "circulation of money as capital" (*M*-*C*-*M′*).

> The distinction between a co-operative economy and an entrepreneur economy bears some relation to a pregnant observation made by Karl Marx,— though the subsequent use to which he put this observation was highly illogical. He pointed out that the nature of production in the actual world is not, as economists seem often to suppose, a case of *C*-*M*-*C′*, i.e. of exchanging commodity (or effort) for money in order to obtain another commodity (or effort). That may be the standpoint of the private consumer. But it is not the attitude of business, which is a case of *M*-*C*-*M′*, i.e. of parting with money for commodity (or effort) in order to obtain more money. This is important for the following reason.
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> The classical theory supposes that the readiness of the entrepreneur to start up a productive process depends on the amount of value in terms of product which he expects to fall to his share; i.e. that only an expectation of more *product* for himself will induce him to offer more employment. But in an entrepreneur economy this is a wrong analysis of the nature of business calculation. An entrepreneur is interested, not in the amount of product, but in the amount of *money* which will fall to his share. He will increase his output if by so doing he expects to increase his money profit, even though this profit represents a smaller quantity of product than before.[18]

Keynes argues that "the attitude of business" is the *M*-*C*-*M′* circuit aimed at realization of monetary profits, while "the standpoint of the private consumer" is the *C*-*M*-*C′* aimed at meeting their needs. Then he points out the fundamental difference between the classical theory and his *General Theory* regarding what will induce an entrepreneur to start up production, to offer more employment, or to increase output. In the classical theory, what will induce an entrepreneur to offer more employment is "an expectation of more *product*", that is, an expected surplus product in real terms. By contrast, in the "entrepreneur economy", what will induce an entrepreneur to increase his output is an expected increase in "money profit",

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16 Smith (1950), pp.24-5.

17 For further details on the draft of *General Theory of Employment*, see Minoguchi (1981) and Hirai (2003), pp.387-419.

18 Keynes (1979), pp.81-2.

irrespective of the amount of product that will fall to his share.

As seen in Keynes's taxonomy of economic systems,[19] conflicting views of money have reflected different perspectives of the real capitalist economy. The perspective of the "entrepreneur economy" represented by the ***M-C-M′*** circuit allows us to investigate non-neutral money entering into motives and decisions of economic agents, as is the case with the firms' decision to invest depending on expected monetary profits, and total employment being subject to aggregate demand in the whole economy. By contrast, the perspective of the "co-operative economy" or the "real exchange economy" (***C-M-C***) implies neutral money with little impact on motives and decisions of economic agents.

Thus, in order to further investigate the dynamics of the real capitalist economy, the traditional perspective of neutral money should be replaced by the alternative framework to analyze the "entrepreneur economy" characterized by the ***M-C-M′*** circuit aimed at realizing monetary profits.

III. *Marx's Theory of Money and the Perspective of "Entrepreneur Economy"*

There are still many textbooks explaining the origin of money as a vehicle to break the deadlock in commodity exchange resulting from a lack of individuals' coincidence of needs for use-values. This fact implies a lack of analytical framework incorporating a specific use-value originating in the social role of money. As we shall see, Marx's theory of money in the first volume of *Capital*[20] provides an analytical framework incorporating such a specific use-value of money originating in its social role as a universal equivalent, even though his framework presupposes only commodity money and excludes credit money. The first volume of *Capital* explains the basic feature of commodity money in the following manner. The third section of Chapter 1, titled "The Value-Form, or Exchange Value" (the theory of value form), derives the commodity money as a "universal equivalent" from the "value-relations"[21] among commodities, that is, the commodity exchange based on an equal quantity of labor. And then, Chapter 2, titled "The Process of Exchange" (the theory of commodity exchange), derives a specific use-value of money originating in its social role as a universal equivalent, from the viewpoint of the exchange process depending solely on individuals' needs for use-value. How to interpret the two-stage procedure for deriving money from the commodity exchange has long been controversial among Marxian economists. This section examines Marx's theory of commodity money to confirm that the framework incorporating a specific use-value of money originating in its social role is the key to understanding the real capitalist economy characterized by the ***M-C-M′*** circuit.

To put it simply, the central aim of Marx's theory of value form is to provide a logical procedure to interpret the value-relations among commodities (namely, the relation among commodities exchanged with each other in proportion to the quantity of labor embodied in them) as the expression of value of commodities, through the medium of the dual character of the labor embodied in commodities (on the one hand, concrete useful labor producing various

[19] For further details on the relationship between Keynes's taxonomy of economic systems and Marx's theory of money, see Sardoni (1987) and Aoki (2001).

[20] Marx (1976).

[21] Ibid., p.139.

use-values, and on the other, abstract human labor forming the value of commodities). The price form of commodities in the real economy can be considered as a fully developed expression of the value of commodities. It should be noted that the value-relation is defined in terms of labor embodied in commodities irrespective of individuals' needs for use-values.

In the simplest form of value, for example, "x Commodity A$=y$ Commodity B" (x units of Commodity A is worth y units of Commodity B), Commodity A is in the relative form of value, and Commodity B in the equivalent form. Here, the value of Commodity A (in the relative form of value) is expressed in terms of the natural form (that is, the use-value, or the physical body) of Commodity B (in the equivalent form), not vice versa. Following Marx's reasoning, the expression of value of Commodity A in terms of Commodity B is based on the fact that the labor embedded in Commodity A and the labor embedded in Commodity B share the common feature of being abstract human labor, under the value-relation between these two commodities.[22] Thus, the expression of the value of Commodity A (in the relative form of value) in terms of the natural form of Commodity B (in the equivalent form) is based on the "value-relation" between these two commodities in proportion to quantity of labor embodied in them and the double character (on the one hand, as concrete useful labor, and on the other as abstract human labor) of that labor.[23] It should be noted that the relative expression of value of Commodity A (x Commodity A$=y$ Commodity B) and its counterpart (namely, the relative expression of value of Commodity B, y Commodity B$=x$ Commodity A) are contained in the "value-relation" between them, however these two relative expressions of value hold not simultaneously but alternately.

Applying the above procedure for deriving the relative expression of value from the value-relation between two commodities to the case of multiple commodities leads to the "total or expanded form of value" of an individual commodity, for example, "x Commodity A$=y$ Commodity B or $=z$ Commodity C, and so on" (x units of Commodity A is worth y units of Commodity B, or z units of Commodity C, and so on). In the expanded form of value, an individual commodity (for example, Commodity A) has multiple relative expressions of its value (in terms of the natural forms of Commodity B, Commodity C, and so on), where each relative expression of value (for example, x Commodity A$=y$ Commodity B) and its counterpart (y Commodity B$=x$ Commodity A) can hold not simultaneously but alternately. It is worth noting that in the expanded form of value, those multiple relative expressions of value of one commodity are mutually independent, and may not hold coincidentally.

In "the general form of value" of multiple commodities, a particular commodity (for example, Commodity A) serves as a "universal equivalent" on the basis of relative and simultaneous value-expressions of all the commodities other than the universal equivalent, as shown in "y Commodity B or $=z$ Commodity C, and so on $=x$ Commodity A" (x units of Commodity A, y units of Commodity B, z units of Commodity C and so on are worth x units of Commodity A). Here, based on the value-relations among multiple commodities, multiple

[22] For further details on the logical procedure for deriving the expression of value of commodities from the "value-relation" by the medium of the double character of labor, see Marx's exposition in the subsection titled "*The content of the relative form of value*" (Marx (1976), pp.140-4).

[23] For a close relationship between the value form and the double character of labor producing commodities, see Fleetwood (2000), pp.177-8. Concerning the relationship between money and abstract human labor, Moseley pointed out, "This necessity of a common unified form of appearance of the abstract labor contained in commodities ultimately leads to the conclusion that this form of appearance must be money." (Moseley (2004), p.148).

commodities have general relative expressions of their value in terms of the natural form of the same Commodity A serving as a universal equivalent. As soon as a specific commodity such as gold attains the position of a universal equivalent, the general form of value becomes the money form. Consequently, the money derived from the value-relations among commodities in Marx's theory of value form is nothing but commodity money such as gold, which is an embodiment of socially necessary labor as is the case with non-money commodities. However, the derivation of commodity money from the labor theory of value is not Marx's ultimate goal. He went on to investigate the role of money as a universal equivalent in view of the interaction among possessors of commodities, in the theory of commodity exchange.

The main question in Marx's theory of commodity exchange is how to explain the relationship among multiple commodities with both various use-values and relative expressions of value, from the viewpoint of the interaction among market participants depending on their needs for use-values. It is worth noting that the value-relations in proportion to the quantity of labor embodied in those commodities cannot be presupposed in the theory of commodity exchange, in contrast to the theory of value form, which derives money from the given value-relations independently of individuals' needs for use-values. Thus, as we shall see, the solution to the above question in the theory of commodity exchange is not the introduction of a medium of exchange to break the deadlock in commodity exchange resulting from the lack of coincidence of needs among market participants, but the analytical framework incorporating a specific use-value of the social role of money as a universal equivalent. By contrast, in the theory of value form prior to the theory of commodity exchange, the exchange value of a commodity is characterized as the expression of value derived from the given value-relations among commodities, rather than merely as a ratio of exchange between different goods. More specifically, as shown in the theory of value form, while the natural forms of commodities in the relative form of value (those on the left side of value expressions, such as Commodity A in the equation "x Commodity A $=y$ Commodity B") serve only as use-values, or objects of various utility, the natural form of commodities in the equivalent form (such as Commodity B in the equation above) play a social role as a particular, or universal equivalent. From the perspective of the theory of commodity exchange, therefore, the relationship among exchange values of commodities implies the relationship among their natural forms acting as expressions of value (specifically, particular, or universal equivalent).

Thus, in the theory of commodity exchange, the exchange process of commodities should be analyzed from the viewpoint of the realization of commodities both as use-values and as values. In other words, the exchange process of commodities can be analyzed neither exclusively from the viewpoint of their realization as use-values nor exclusively from the viewpoint of their realization as values.[24] In order to understand money as a medium of exchange to break the deadlock in commodity exchange, in a manner similar to Smith's theory of money, there is no need for Marx's perspective on the realization of commodities as values. On the other hand, if we investigate the exchange of commodities exclusively from the viewpoint of their realization as values, all the commodities have to be considered as the natural forms acting as a particular, or universal equivalent, falling into the puzzling situation as shown below.

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[24] "But the same process cannot be simultaneously for all owners of commodities both exclusively individual and exclusively social and general" (Marx (1976), p.180).

> Let us look at the matter a little more closely. To the owner of a commodity, every other commodity counts as the particular equivalent of his own commodity. Hence his own commodity is the universal equivalent for all the others. But since this applies to every owner, there is in fact no commodity acting as a universal equivalent, and the commodities possess no general relative form of value under which they can be equated as values and have the magnitude of their values compared. Therefore, they definitely do not confront each other as commodities, but as produces or use-value only.[25]

From the perspective of the theory of commodity exchange, unlike the theory of value form, the general form of value of multiple commodities cannot be derived from the value-relations based on the labor embedded in those commodities. This is why the puzzling situation above arises by investigating the exchange of commodities exclusively from the viewpoint of their realization as values, without regard to the market participants' needs for use-values. The only way out of this puzzling situation is to consider the relationship among exchange values of multiple commodities, that is, the relationship among their natural form acting as equivalents of the other commodities, from the viewpoint of market participants' needs for use-values, as shown in the following exposition.

> In their difficulties our commodity-owners think like Faust: 'In the beginning was the deed.' They have therefore already acted before thinking. The natural laws of the commodity have manifested themselves in the natural instinct of the owners of commodities. They can only bring their commodities into relation as values, and therefore as commodities, by bringing them into an opposing relation with some one other commodity, which serves as the universal equivalent. We have already reached that result by our analysis of the commodity. But only the action of society can turn a particular commodity into the universal equivalent. The social action of all other commodities, therefore, sets apart the particular commodity in which they all represent their values. The natural form of this commodity thereby becomes the socially recognized equivalent form. Through the agency of the social process it becomes the specific social function of the commodity which has been set apart to be the universal equivalent. It thus becomes — money.[26]

It is incorrect to read the deadlock in commodity exchange resulting from a lack of coincidence of individuals' needs for use-values into the above exposition. The difficulty facing owners of commodities lies in the puzzling situation above, which arises by investigating the exchange of commodities exclusively from the viewpoint of their realization as values, rather than in a lack of coincidence of individuals' needs for use-values. In "our analysis of the commodity", namely, in view of the theory of value form, the general form of value is derived from relative expressions of the value of multiple commodities (except a particular commodity serving as a universal equivalent) holding coincidentally, as indicated by the "social action of all other commodities" in the above exposition. By contrast, in view of the theory of commodity exchange, it is "through the agency of the social process" that can assign the "special social function" of a general expression of value of all the other commodities to a particular commodity serving as a universal equivalent. Here, "the agency of the social process" should be interpreted as the interaction of commodity-owners solely depending on

[25] Ibid., p.181.
[26] Ibid., p.180-1.

their needs for use-values, judging from Marx's reasoning in the quotations above.

Consequently, for the social function as a universal equivalent to be assigned to a particular commodity by way of the interaction of all the commodity-owners, the function as a universal equivalent should be socially recognized as a distinct use-value by them. Indeed, on the subsequent page in the same chapter as the quotations above, presupposing the function of money only as "the form of appearance of the value of commodities, that is as the material in which the magnitudes of their values are socially expressed", the function as a universal equivalent is characterized by "a formal use-value, arising out of its specific social function".[27] Thus, Marx's framework of commodity exchange incorporates not only the use-values of non-money commodity (namely, all the commodities other than a particular commodity serving as a universal equivalent), but also a specific use-value of money deriving from its social function as a universal equivalent.

The specific use-value of money defined above provides the key to understanding the exchange process of multiple commodities from the viewpoint of their realization both as different use-values and as relative expression of values. An analytical framework incorporating a specific use-value of money can explain the monetary realization of value, which is essential to understanding the "circulation of money as capital" or "entrepreneur economy" represented by the M-C-M' circuit. In that framework, the sale of a commodity (C-M, *Commodity-Money*) implies the satisfaction of individuals' desire for a special use-value of money, as well as the realization of that commodity both as use-value and as values. Through the sale of a commodity, its initial owner replaces her commodity with money, whose specific use-value deriving from its social role as a universal equivalent constitutes the objects of her desire. On the other hand, through the purchase of a commodity (M-C, *Money-Commodity*), a use-value of money is realized, and an initial owner of money meets her needs for use-values. Thus, within the analytical framework incorporating a specific use-value of money defined above, the realization of a commodity as value through its sale (C-M) could constitute the objects and motives of economic agents. That is why a specific use-value of money defined above provides the key to understanding the M-C-M' circuit.

IV. *Concluding Remarks*

As shown in the previous section, Marx's theory of money, though being confined to the system of commodity money, enables us to understand how the values of commodities are realized, and to overcome the limitations of the classical economists' view on neutral money, by providing the analytical framework incorporating a specific use-value of money deriving from its social role as a universal equivalent. Thus, an analytical framework incorporating a specific use-value of money provides the key to understanding the economy with non-neutral money.[28] However, a theoretical framework based on commodity money has to be replaced by an alternative framework to analyze the credit-money economy with its well-developed banking systems, in order to explain the realization of monetary profits underlying the M-C-M' circuit.[29] These issues remain to be examined.

[27] Ibid., p.184.

[28] For Marx's insight into the structural instability inherent in the real monetary economy, see Crotty (1985).

[29] For the fundamental difference between commodity money and credit money, see chapter 7 of Rogers (1989).

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