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Value and money

In "Makroskop", the topic of "money" is mainly dealt with in terms of how money creation works today and what significance it has. In the last articles by Schneider, Wiederhold and Steinhardt, however, the question of what value money somehow "has" comes up explicitly.[1]

This also includes Marx, who has written extensively and fundamentally on these questions. However, the confusion of terms that occurs in Makroskop is considerable, especially in Schneider's work. In the following, I will try to present the connections in a somewhat systematic way, starting from Marx - so that hopefully even those interested in economics who are not so familiar with this line of theory will be able to understand it.

The basic problem with Paul Steinhardt's comments on the subject is that he approaches the issue from the perspective of money. He quotes Knapp approvingly that the "'value' of a means of payment consists in settling monetary debts". However, this is ultimately tautological: the fact that a thousand Euros can be used to settle debts amounting to a thousand Euros simply says nothing about what a thousand Euros is worth. People do not originally and primarily need money to pay off money debts, but to buy commodities that they need for their lives.

Money, price, and value

Money has value only if you can buy something for it, and its value is as much as the sum of the values of the commodities that you can buy for it. It is the commodities that have their own "intrinsic" value, not (today's) money. Money creation is not value creation. It must therefore be clarified what the value of commodities is, how it is created, fundamentally and quantitatively. When we talk about value here, we mean the economic value on which the prices of commodities are based. And value creation is about the production of such value, the sales proceeds of which are the source of income. We are not talking about moral or ethical "value issues" here, nor about unpaid work that does not produce commodities.

Today, the quantity of values is measured in quantities of monetary units. But this measure is not the basis why commodities have these values, it only expresses them. A distance has a length that can be measured in meters (or in inches or any other unit of length), but it does not have this length because it can be measured in this unit. The content of a one-liter bottle full of water have a mass of one kilogram. The mass of this quantity of water is referred to as "one kilogram" because it is the same magnitude as the mass that people have defined in

[1] Cf. Franz Schneider: https://makroskop.eu/07-2023/wie-halt-es-die-mmt-mit-den-werten/, https://makroskop.eu/04-2023/weisser-elefant-im-raum-wullwebers-politische-theorie-des-geldes/, https://makroskop.eu/41-2022/der-gold-anker-historische-luege/;
Paul Steinhardt: https://makroskop.eu/05-2023/streit-uber-den-geldbegriff/, https://makroskop.eu/43-2020/ein-vertracktes-ding-voll-metaphysischer-spitzfindigkeiten/, the Steinhardt quotations here in the text are taken from these texts;
Hans Wiederhold: https://makroskop.eu/02-2023/geld-ohne-schulden-geht-das/

this way. But this quantity of water does not have its mass and all the physical properties associated with it because people have standardized the kilogram as a unit of measurement. This is also the relationship between the values of commodities and their measurement in monetary units. It is the relative values of commodities to each other that explain their price ratios, not the other way around.

The price of a commodity expresses its value in an amount of money. This is always a certain type of money, i.e. a currency. It is well known that different currencies can be exchanged and converted into each other, but this need not concern us here any further. A distinction may have to be made between the price that the suppliers of the commodities initially demand and the price that they can realize in money on the market.

The price, i.e. the expression of value in money, can deviate more or less from the price that would correspond to the value of the respective commodity, which represents the fluctuation center of the prices of the commodities of this type, due to specific relations of supply and demand or other conditions. What is more, even this "intrinsic" value of the commodity itself is not fixed, but changes when the social conditions of production of the commodity change.[2] A theory of value must explain how this value of the commodity comes about, what it and its changes are based on.

When Steinhardt writes that the point of money is that it can be used to dissolve monetary debt relationships that have been established by concluding a purchase agreement, for example, he misses the point of the actual question and does not even ask it. It is not random or arbitrary which sums of money are agreed in a purchase contract. The question of value theory is why, for example, 30,000 Euros are paid for a car - and not just 3.50 Euros, and not ten million Euros either. To abstract from the monetary expression: why this car costs as much as about 30,000 bottles of beer, not just as much as three bottles of beer, but also not as much as ten million bottles of beer.

Commodities and value

There are now important differences between the physical properties of things and value as a property of commodities. Value is a social property whose quantity cannot be explained in the least by the physical properties of commodities. Nor can the magnitude of value or the price be explained by the utility, as the neoclassicists call it, or as Marx says, the use value of commodities. Steinhardt rightly points this out with approval. However, it is qualitatively necessary that a commodity has some kind of use value, i.e. that it can satisfy the needs of a potential buyer. Otherwise, no one would buy such a commodity, and then it would also be worthless and could not realize a price. It would then no longer be produced in the future.

[2] Incidentally, also many, most physical properties of things are not fixed, but are based on their interaction with other things. If, for example, we do not consider the mass of a liter of water in the abstract, but the weight, i.e. the gravitational force with which this mass of water presses down on the earth's surface, then this depends not only on the mass of this liter of water, but also on the mass of the earth and the distance between the centres of gravity of these two masses. In the gravitational field of the moon, which has much less mass than the earth, one kilogram of water is known to be considerably lighter, further away from the center of the earth as well, and in an orbit the gravitational force is compensated by the centrifugal force, so that no weight is noticeable, the mass is weightless.

When we talk about commodities here, we mean the great mass of commodities. We mean "normal" commodities that can in principle be produced in the quantities required, that are not considered individual items, but are reproducible and replaceable. These commodities are useful products of labor that are produced and traded for exchange, for sale. Commodities have use-value and exchange-value, the latter is based on their value. That is their "dual character", corresponding to the dual-character of the commodity-producing labor as concrete useful labor on the one hand and abstract human labor on the other.

Commodities can be material goods, but also services. In the case of these, the activities are paid for as such, for example in the case of personal or society-related services ranging from teaching to health services to security services, or the objects of labor are owned by the customer/buyer from the outset, as in the case of repair services, or it is essentially information content or copyrighted works and media content in the broader sense.

It is also important to be precise in the analysis: for example, a beer that costs just one Euro in the supermarket may cost five Euros in a restaurant. However, the commodities purchased are not the same, and therefore neither is their value, because it is not only or primarily the beer, but the overall performance of the restaurant, including the premises, service, etc., which is paid for through the price of the drinks and food.

The supposed counter-examples cited by Franz Schneider against the theory of value, extremely expensive paintings or the exorbitant incomes of securities traders, are special cases that can only be explained on the basis of a more extensive analysis of overall capitalist relations. The same applies to the prices of land or sources of raw materials that are not labor products at all, of real estate or of companies or of securities, of works of art and of individual pieces and special performances of all kinds, of intellectual property rights and of commodities based on monopolistic positions of all kinds.

But what is this ominous "value", how does it come about and what determines its magnitude? Steinhardt quotes Marx on this (albeit notoriously in this text without citing an exact source): "A use-value or useful article therefore only has a value because abstract human labor is objectified or materialized in it. How then to measure the magnitude of its value? By the quantity of the 'value-forming substance' contained in it, the labor." (Karl Marx, Das Kapital Vol. 1, Marx-Engels-Werke Vol. 23, Berlin GDR, p. 53, translated)[3]

Socially necessary working time and value creation

Steinhardt then makes it clear, however, that for him the following applies: "What remains a mystery, however, is what it means that the labor expended to produce a hammer is "objectified" or "materialized" in this hammer." I don't know whether this is because he hasn't read Marx in context or where else the problem lies. Of course, it is not a question of measuring value as the labor "contained" in the individual commodity. Marx makes it very

[3] Marx is (in German) usually quoted according to this edition, abbreviated as MEW 23 in the following. All MEW volumes are (in German) available here for free download as PDF files: https://marx-wirklich-studieren.net/marx-engels-werke-als-pdf-zum-download/

clear in "Capital" that it is about the labor time that is normally or on average necessary in the respective society to produce a commodity of this type.

"The individual commodity counts here generally as an average sample of its kind. Commodities in which equal quantities of labor are embodied or which can be produced in the same amount of labor time therefore have the same magnitude of value. The value of one commodity is related to the value of every other commodity as the labor-time necessary for the production of one commodity is related to the labor-time necessary for the production of the other." (MEW 23, p. 54, translated).

This socially necessary labor time, which determines the value of a commodity, also includes the labor required to produce the intermediate products used and, proportionately, the labor required to produce the production instruments and fixed assets. And it is about the labor time required to (re)produce these at the respective time with the respective average productivity. This means that the value of commodities (not necessarily their price, see below) decreases if the productivity of labor in their production increases, or it can increase if, for whatever reason, more labor time is required per commodity than before, for example due to a poor harvest caused by bad weather. Moreover, labor here only counts as socially necessary to the extent that there is a solvently expressed social need (effective demand) for the products.

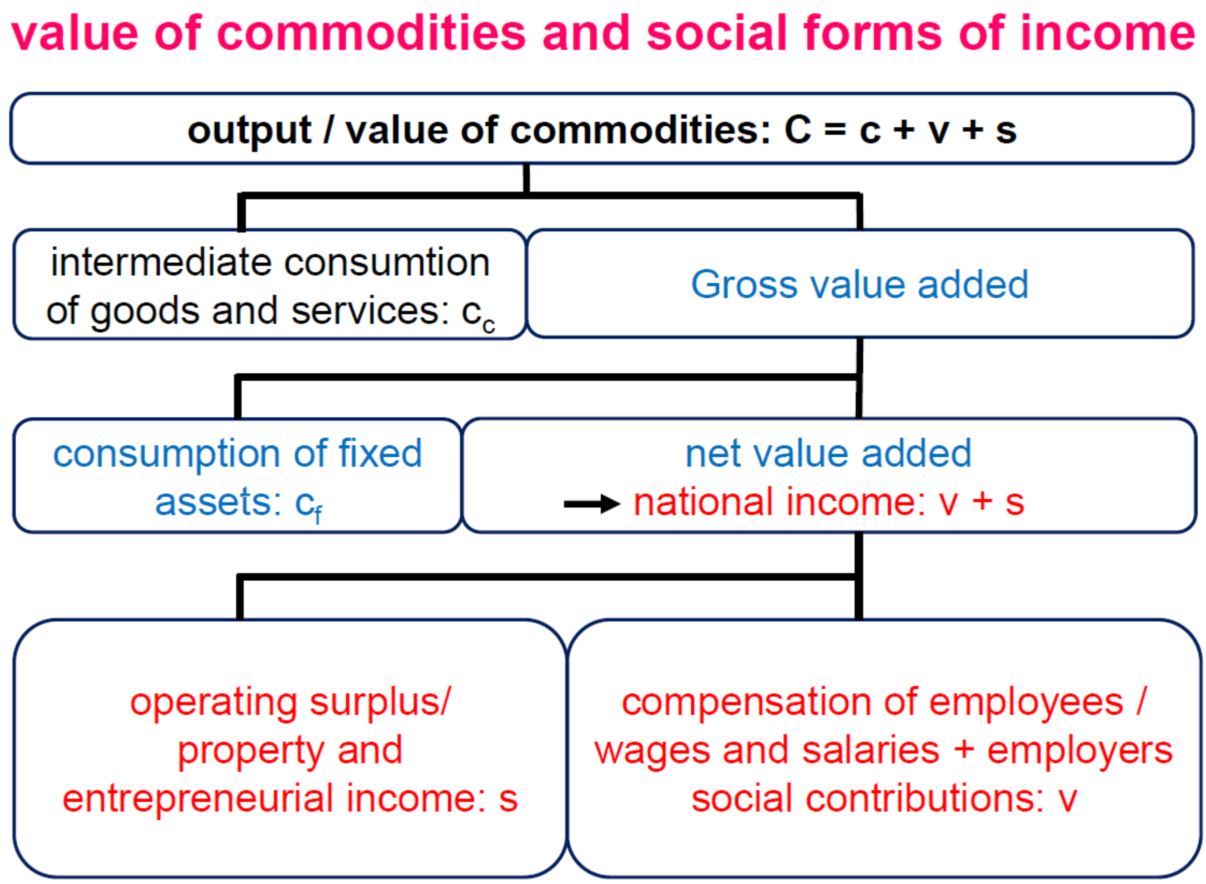
Under modern, capitalist conditions, the labor required for the production of inputs and fixed asset flows in the form of the value or purchase price of these goods and services. These costs must be paid for, and the sales proceeds from the commodities produced must recoup these costs, in the case of fixed assets as depreciation, as well as appropriate compensation for the labor input as income for the persons involved. The sales prices are calculated accordingly. None of this should be at all puzzling to economists, as all of this is reflected in the cost and performance accounting of companies and enterprises and also in the domestic product accounting of national accounts. This is the practical way in which the value of the means of production consumed is "transferred" to the products (as Marx says) and how value creation takes place.

Nowadays, most commodities are produced by capitalist companies and this results in further systematic modifications. The commodities s produced and the proceeds from them do not belong to those who have done the labor, but to the owners of the companies. The payment of wage laborers, the wage, corresponds to only a part of the value added by their labor. The other part flows to the owners of the means of production or other capital assets as surplus value, i.e. profit, interest or economic rent.

However, capital, which dominates the economic process, calculates and moves in such a way that it achieves the highest possible surplus value as a percentage of the total capital employed. This results in a tendency for the rates of profit to equalize and for the resulting capitalistically modified values (Marx calls them "production prices") to deviate from the "simple" values. In macroeconomic terms, however, the upward and downward deviations balance each other out and the value added expressed in money terms is proportional to the volume and productivity of the total amount of gainful employment. It is not necessary and practically impossible to derive the prices of individual commodities from their labor values, it is about the fundamental relationship.

The forms of income that are fed by surplus value, but also extremely high management salaries and other incomes, even if they are formally wages, are not attributable to the own labor and value creation of those who receive them. Rather, they are the appropriation of part of the value creation of others and are based on the capitalist exploitation of other people's labor. For a meaningful and critical economic theory, a distinction must be made between value creation and the mere appropriation and redistribution of value or income.

The diagram shows in simplified form the relationship between the generation and distribution of income in the national accounts, together with the Marxian abbreviations v for variable capital = wage costs, c_f for fixed constant capital, c_z for circulating constant capital and m for surplus value. The operating surplus/self-employed income also includes a portion of the labor income of the self-employed. Value added or income is generated through production (in the broad sense) with gainful employment. The net value added per hour worked at current prices in Germany is currently around EUR 50 (calculated as GDP minus consumption of fixed assets divided by the hour volume of gainful employment).[4]



[4] It should be noted that although the national accounts reflect essential relationships and proportions, they deviate from Marx's theory of value in many individual concepts. In addition, there is an extensive and diverse Marxist discussion on the theory of value, which is highly controversial in individual questions, in German most recently here: http://www.zeitschrift-marxistische-erneuerung.de/topic/163.diskussion-werttheorie.html. Cf. also Nils Fröhlich: Die Aktualität der Arbeitswerttheorie, Marburg 2009, which also undertakes a - positive - empirical review.

Value as a social characteristic and meaning of commodities

Value is a social property of commodities that asserts itself in the social production and exchange process and regulates it. It depends on, is modified by and changes with social conditions. In fact, not all labor is equally valuable, but more complicated labor, which also requires qualifications, creates more value in the same amount of time than simple work. Here, too, we are talking about the social average; there are always deviations in individual cases anyway.

The starting point, however, is that the people who produce, buy, and sell commodities basically exchange the different types of labor with each other, abstracting from their differences and equating them with each other. Everything else is a modification of the basic principle: one hour of labor or its product in exchange for one hour of other labor. Anyone who spends a certain amount of time working for others or producing products for others generally only does so in return for something that is considered to be of equal value and to which he/she thus acquires a claim. In this way, labor ultimately becomes the "value-forming substance" of the commodity - "substance", of course, is not meant materially, but metaphorically and is also repeatedly referred to in quotation marks by Marx. *This results in the social regulation of the exchange of commodities through the law of value as a result of the reciprocal actions of people, without this social dimension being planned or conscious.*

Marx calls it "the secret of the expression of value, the equality and equal validity of all labor, because and insofar as it is human labor in general" (MEW 23, 74). Marx speaks of "abstract labor", the word "gainful employment" comes close to the term. It is about earning an income with labor, regardless of what kind of labor it is. In legal terms, this corresponds to bourgeois freedom and equality of persons, freedom of contract and free choice of workplace. Slavery and serfdom have been abolished, robbery and fraud and forced labor are the exception and not the rule.

Steinhardt obviously misunderstands Marx or what he may have received as the alleged Marxian view. He quotes only the first sentence from the following longer passage by Marx, thereby distorting the meaning. Marx is not denying his own labor theory of value, but describing <u>how</u> value asserts itself as the regulating principle of a commodity-producing economy:

"People therefore do not relate their labor products to each other as values, because these things are regarded by them as merely factual shells of similar human labor. Vice versa. By equating, in the exchange, the different products to each other as values, they equate their own different labors as human labor. They do not know this, but they do it. Value, therefore, does not have it written on its forehead what it is. Rather, value transforms every product of labor into a social hieroglyph. Later, people seek to decipher the meaning of the hieroglyph, to discover the secret of their own social product, for the determination of useful products as values is their social product as well as language." (MEW 23, p. 88)

The comparison with language is a very apt one. It is not about a "negotiation process", as Joscha Wullweber describes it, which in my understanding would mean conscious, goal-oriented action. Such negotiation processes also exist, especially in the form of collective bargaining, but they play a subordinate, merely modifying role. At its core, it is a "natural", uncontrolled process, so to speak, just like the development of language. Value as a regulator of the production and exchange of commodities is an emergent phenomenon of the economic system as a subsystem of society as a whole, which has asserted itself in the interaction and competition between companies, workers and consumers.

Society is based on the interaction of people's activities and human consciousness is essentially directed towards behaving meaningfully in social life, the "human being is (...) the ensemble of social relations" (Karl Marx, Theses on Feuerbach, MEW 3, p. 6). Regulation by value is realized in the economic actions of people in commodity-producing societies in such a way that they attribute corresponding values to commodities by pricing them as described above and exchanging them on this basis.

Marx developed all of this in detail in the first chapters of "Capital" Volume I, which is worth reading in the original; it also has literary quality (see footnote 1). In particular, the sub-chapter on the fetish character of the commodity, which is asserted not only in everyday understanding, but also in science, as can also be seen in contributions in Makroskop.

In my opinion, following cultural-historical and critical psychology, value can be understood as the special object meaning of commodities. This is not merely a matter of subjective attributions of meaning, but of socially produced, communicated and in this respect objective meanings that are then individually appropriated. They essentially relate to the functions of such objects for human activities and are linked to expectations of the actions of others. In my opinion, the Hegelian sub-chapter on the development of value forms, which many find confusing, can also be reformulated.[5]

Money as an expression of value and the value of money

Only now, when it has been clarified what constitutes value in the first place, can it be clarified what constitutes the value of money and what role the monetary system plays in this. It should be noted that in the first sections of "Capital" no credit system or modern money occurs, but only money in the form of a monetary commodity that functions as a "general equivalent". In most cases, it is gold (or silver), which is particularly suitable for this purpose due to its natural properties.

The values of all commodities are expressed in certain quantities of this money commodity, and they are realized in this by sale. The money commodity itself has an intrinsic value for which it is exchanged for other commodities. As with all commodities, this value is determined by the socially necessary labor required for its production or procurement. In the case of state coins, which had a lower metal content, or state paper money with a forced exchange rate at the time, it was a matter of "substitutes" for this monetary commodity, which included the possibility of devaluations. In exceptional situations, when the regular

[5] Cf. my text https://www.ralfkraemer.de/wert-bedeutung-thesen-zur-werttheorie-2003/, published in: Das Kapital neu lesen - Beiträge zur radikalen Philosophie, ed. Jan Hoff, Alexis Petrioli, Ingo Stützle, Frieder Otto Wolf, Münster 2006. A more detailed introduction to the Marxist theory of value and capitalism with reference to current conditions, especially in Germany, for those interested in economics can be found in my book "Kapitalismus verstehen", Hamburg 2015, online for free download: https://www.rosalux.de/publikation/id/4096/ .

monetary system does not work, other commodities can also take over monetary functions for everyday purposes, such as cigarettes in Germany immediately after the end of the Second World War.

The regular price of a commodity is its value expressed in an amount of monetary units. If the price of a commodity falls, this may be because its value has fallen, i.e. less labor is socially necessary for its production, or because the value of money in terms of the purchasing power of a monetary unit has risen. In the case of a monetary commodity, this means that its value has actually increased, i.e. the amount of labor required to produce this commodity, such as gold, or that its price has risen for other reasons, speculation, shortages due to war, political measures, etc. Increases and more than just minor decreases or fluctuations in the value of money disrupt and damage economic development.

Today, there is no longer a money commodity or a link between money and such a commodity, but rather money and money creation within the framework of a two-tier banking system. However, gold continues to play a role as a currency reserve and as an asset. This has recently become even more important with the crises in the global financial system. Gold accounts for around two thirds of currency reserves in the USA and at the German Bundesbank, and a good half in the Eurozone as a whole. The development of the gold price is strongly determined by speculation, but as a large part of the demand for gold continues to be covered by metal newly extracted from the earth, the labor value also here represents the basis and lower limit in the longer term, represented by the production costs plus the profit of the mining companies.[6]

In the longer-term development of the capitalist mode of production, the value of commodities falls massively because the productivity of labor increases enormously. For most commodities, however, this does not mean that their prices fall, but instead *in the modern monetary system* translates into rising money incomes. Purchasing power then increases even when prices rise because incomes rise more strongly. The falling (labor) value of commodities is expressed in the fact that, on average, less and less labor time is needed to generate the income required to purchase these commodities.

Today's money as a claim or debt

The money used today is, on the one hand, cash as state or central bank money and, on the other, predominantly book money that banks create by granting loans. The structure and regulation of the two-tier banking system ensures that this book money is normally considered safe. The development of the money supply is then largely dependent on the demand for credit. At the same time the development of the value of money, the purchasing power of money, is considerably decoupled from the development of the money supply. This monetary system enables greater adaptability to growing monetary needs.

The monetary policy of central banks aims to keep the general price level that has developed historically for the respective currency stable or to achieve a low annual inflation rate.

[6] Cf. https://www.gold.de/goldfoerderung/ Here, as with all raw materials and agricultural products, there is the special feature that producers with particularly favorable natural conditions can acquire economic rents in excess of the normal profit.

Stability of the price level means stability of the monetary expression of values and thus the purchasing power of money in relation to a constant quantity of commodities, measured with a basket of commodities whose composition follows the development of consumption structures. With rising productivity, this means that the average value created in an hour's work is expressed in a steadily increasing amount of money.

In order to pursue the goal of monetary stability, but also other goals such as economic development or the promotion of environmentally sustainable investments, central banks have a range of instruments at their disposal. However, these all only have an indirect effect, as pricing, investment and other money issuance decisions are made autonomously by the respective suppliers of commodities and the owners of money on the basis of economic conditions, in particular cost trends, demand conditions and profit expectations. Commercial banks also act autonomously within the framework of more or less strict regulations.

Today's money has no intrinsic value or this is irrelevant. The value of the material from which the cash is made is low and bears no relation to the amount of money printed on it. However, the possession of money gives a claim to a corresponding share of national wealth, which is available for purchase. It enables the purchase of commodities with a corresponding value, which is constantly being produced anew in the social production process. Money thus conveys a claim to the appropriation of values against society or the economic subjects in the area in which the respective type of money or currency is valid.

In the final instance, money is backed by the state, which designates it as legal tender. The state obliges the population to pay taxes, which are to be paid with this money. The state in turn uses this money to pay for the purchase of commodities, the wages of public servants and social and other monetary benefits. If restrictions by foreign trade or legal conditions such as debt limits are not applied here, the state is in a position to incur almost unlimited expenditure if necessary and to "rescue" banks and companies if they become insolvent. To the extent that this is legally permissible, the state's own central bank can act as a creditor for government debt.

For today's money, the following essentially applies, as Steinhardt writes: "Money really only exists where there are debts denominated in money. So there is no money without money debts." With regard to the state, he then summarizes this in line with modern monetary theory in such a way that the issue of money by the state "dissolves a debt relationship of the state towards its 'subjects' from, for example, a delivery of commodities", while on the other hand there is the "debt of the subjects based on the tax obligation". However, it is doubtful whether it makes sense to define it in this way. All these elements are part of an overall system of economy and society and only function within this framework.

Money creation is an extension of the balance sheet, not value creation

The creation of money by commercial banks through the granting of loans represents an extension of their balance sheets. The book money created, the customer's demand deposit, is recorded as a liability on the liabilities side of the bank's balance sheet, while the bank's corresponding claim against the customer is recorded on the assets side. When the loan is repaid, the book money is "destroyed" again.

In the case of central banks, the deposits of commercial banks (reserves) and government budgets as well as the banknotes issued are on the liabilities side of the balance sheet and represent central bank money. This is offset by corresponding receivables, purchased securities and monetary gold on the assets side. Lending to banks or the purchase of securities increases the amount of central bank money, while selling securities or reducing lending reduces it. In the case of direct government financing, the central bank buys securities directly from the government or gives it credit; this is not permitted in the Eurosystem.[7]

The creation of money, the expansion of the money supply, is therefore today an expansion of bank balance sheets. This does not directly mean any value creation, does not make society richer, but as such is only an inflation of the stock of receivables on the one hand and liabilities on the other. This leads only then to increased value creation if the additional money is used by private borrowers or the state for additional purchases of goods or services or for additional wage payments or monetary benefits, and if the increase of effective demand then leads to additional production through additional labor.

If or to the extent that this additional demand meets already fully utilized capacities, it leads to additional price increases and correspondingly lower additional value creation. If or to the extent that the money is used to buy existing assets, be it securities, real estate or gold, it only drives up their prices directly and may produce asset inflation if other economic entities do not sell more of these assets at the same time.

In a sense, money creation creates and distributes "promissory bills", directly redeemable claims on society, which are offset by corresponding liabilities of private individuals or corporations or the state. In the case of commercial banks, book money assets can be lost in the event of insolvency. As a rule, however, deposits are secured or are ultimately secured by the state. Central bank money and public debt are directly backed by the state with its ability to collect taxes and thus settle the debt. In the final instance, therefore, it is society that is liable for these sums of money or whose tangible assets and ability to create value may form the equivalent value that can be purchased with them.

The wealth of society, the real, price-adjusted value of its net assets and that of its annual production and income, is based on the volume and productivity of labor/gainful employment in society. Added to this is the wealth from non-monetarily valued goods and products of labor. The relative prices of commodities are also determined in this monetary system as described in the Marxist labor theory of value (apart from deviations due to state intervention, which in fact represent redistribution).

The direct or indirect financing of the state by the central bank and an expansive spending policy on this basis can lead to higher value added and income if it activates otherwise unutilized capacities for additional production. It has distributional advantages over normal government debt, but it has similar limits. Where it exceeds these limits, the increase in

[7] Cf. the annual financial statements of the Bundesbank and the ECB and the chapters on the money supply and money creation in the official introduction: Deutsche Bundesbank, Geld und Geldpolitik: https://www.bundesbank.de/resource/blob/606038/79786120337268ad14bddbb8afbb187b/mL/geld-und-geldpolitik-data.pdf

aggregate demand due to monetary government financing does not lead to higher value added any more, but to higher prices and higher imports. Such as the issue of new shares does not increase the value of a company.

Where this limit lies depends on the economic situation and the growth path*, the level of interest rates and the country's international position,* but is normally a single-digit percentage of GDP. In the long term, the modern state must always cover the vast majority of its expenditure from taxes and other levies. The technical possibility of state financing solely through corresponding central bank bookings does not mean that this would work economically.

Monetary system, economy, society

Many theoretical and possibly also economic policy problems result from the fact that the character of the economy as a system context and at the same time as a subsystem of society as a whole is not taken into account. The monetary system has special modes of operation and its own dynamics, but at the same time it is only a subsystem of the economy as a whole, a regulatory subsystem that is primarily important for controlling economic processes. At the same time, however, its development is conditioned by the development of non-financial companies and households in the "real" economy, the state and external economic conditions, and interacts with these. Although there are dominant directions of impact, there are always repercussions and effects on other areas.

The economic processes are integrated and are themselves only a - central and determining - part of social development as a whole. This also means that there is constant further development and change in circumstances; nothing is fixed and permanent. It is about complex and dynamic material systems in which the individual actors are integrated and at the same time move more or less autonomously. They and the various social classes pursue different and contradictory individual and collective interests and their conflicts shape developments. The state plays a special role in this context. Economics is a special social science that has to take all of this into account.

It is therefore not just a question of how the monetary system works, but how today's capitalist economy works as a whole. Only within the framework of a fundamental understanding of this can the monetary system also be understood in its economic and social significance. As Marx wrote in the preface to "Capital": "the ultimate aim of this work is to reveal the economic law of motion of modern society" (MEW 23, p. 15f.) The analysis of money and value and the economy as a whole is ultimately about how society organizes and regulates its production, division of labor and cooperation, exchange and use of products in a permanently functional and developable overall process of social life.

Capitalism is a society in which the capitalist mode of production is predominant, i.e. the production of commodities by private business for the purpose of making profit. Capitalist relations of production are based on the private ownership of a minority of the larger means of production and the use and exploitation of wage labor. It is the drive of capital or the capitalists as its "character masks" (MEW 23, p. 100) to keep increasing profit and capital and to keep developing the productive forces that ultimately determines the dynamics of this society - not the monetary system.

It is only under capitalism that the production and exchange of commodities with money becomes the predominant form of economic activity. In such a society, money plays a central role and the modern monetary system based on credit relations develops. However, there is still non-capitalist "simple" commodity production, public and other non-capitalist economic sectors as well as the large proportion of total social working time that is performed unpaid, primarily in private households.

It is no coincidence that "Capital" begins like this: "The wealth of societies in which the capitalist mode of production prevails presents itself as an 'immense accumulation of commodities', the individual commodity as its elementary form. Our investigation therefore begins with the analysis of the commodity." (MEW 23, p. 49) Only when the fundamental concepts of the commodity and its value have been clarified can money and capital be understood - even if the monetary system today has forms that seem to have detached themselves from it.