In the form of money

By Verity Carney

“In the form of money, all properties of the commodity as exchange value appear as an object distinct from it, as a form of social existence separated from the natural existence of the commodity … (the material in which this symbol is expressed is by no means a matter of indifference, even though it manifests itself as in many different historical forms. In the development of society not only the symbol but likewise the material corresponding to the symbol are worked out – a material from which society later tries to disentangle itself; if a symbol is not to be arbitrary, certain conditions are demanded if the material in which it is to be represented. The symbols for words, for example the alphabet etc., have an analogous history.

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It is the contention of this thesis that we are currently witnessing something both profound and unique in the construction of value internationally. A change that is significant and not understood by economic theories as has thus far evolved.

It would seem that materialism has become subordinate to electronic and phenomenological processes of objectification (abstraction) with markets instructed by a myriad judiciaries of tele media and print information and indexes (and most prominently advertising).

This thesis proposes that;

1. There is a discordance between the social ontology and the material abstractions required of the operation of value on an international scale. And further that this is the source of economic tensions

2. Value as it functions in the process of globalisation – in the processes of forming equivalence, commensurability and convertibility and materiality – takes on a new significance (more dimension) in the current era.

Not simply because we witness an exponential increase in the movement of capital in all its forms across the globe but because this increase has unified in a singular movement integrating through linear time otherwise socio-political diffractions of space.

This thesis intends to implode the contradictions of value – between the source (in the valorising) work of human labour and social relations to its motion as metamorphosing capital focussing also on the retail side as realising value (validated equivalence).

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The question concerning value has to be seen as it once was the perennial concern of economic theory of the classical political economist as it was to Mathus, Ricardo, Marx and Smith, and of Aristotle who wrote on Trade and Fair prices (Nicomedian Ethics ?). The question posed as value has constituted the essence of theoretical discord and the basis to a division between analytical schools. Price theory and demand and supply analysis evolved out of the neo-classical era - and relegated economic thought to the marginal inspections of a marginal analysis (demand and supply's price and equilibrium theory).

Value analysis has been revitalised in the global environment as we witness a multitude of changed circumstance and technological trajectories being ushered in. Singling out this 30 year period since the end of the gold standard in 1971 as unique and critical.

Many of these changes require a different role for state management of processes and sectors of capital circuits and other aspects to sanction of the law of value.

Although this is a different epoch – the logic remains the same the drive implicit in capitalism is accumulation born and requisite of expansion. Precisely the logic which has structured circuits of capital accumulation and the operation of a law of value across the globe since the transition from Mercantilism to Capitalism. What we witness now however is particular realms in which the history and culture of social relations transcend themselves in value source but imposed on by circumstances external to it*

Organised labour and the state are increasingly required to exert control over something which they are increasingly are unable to effect. To influence the temporal management of value across space - between countries and the currencies of retail outlets/markets and wages**. Contradictions which increasingly require the mediation of the state and the ‘acquiescence of local labour in processes which do not begin nor end with their political, economic and lived experience.

But as the logic of capitalism is increasingly extended in its circuits beyond and between differentiated and political cultural spaces with which valorisation (value added) and realisation (retail exchange) take place – what we begin to observe is the explicit becoming and confronting of the essential contradictions of the value form.

How do we tell – When the requirement of convertibility , commensurability and equivalence result in a need for the management of phenomenological indications of the temporal dimensions of spatially encoded value.

Space is a term used to denote geopolitical space – but also to include relativities to ‘other’ organic complexes of the particular valorisation capacity of local labour (variable capital). Labour is referred to as variable capital because its use creates value – labour power is value adding.

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Global capitalism requires a unified structure for the arbitrage of commensurability of values in order that its processes (circuits of capital) are able to function beyond national boundaries. In the post war era this was recognised and ensured by Bretton Woods establishment of the US dollar / gold standard and the setting of exchange rates and macro structures of the GATT (General Agreement on Tariffs and Trade) – thereby allowing conditions and values to operate unhindered by concerns of time/space and differences in organic compositions of social ontology's which were virtually secured under a fixed system.

It [value] is for the first time in the history of capitalist formations without an anchor of convertibility – convertibility exists now only in the relative form of the commensurability of currencies for one another. Arbitrated in a phenomenal global market for money that constructs the real according to a multitude [sometimes short checklists] of variant factors in an otherwise ethereal place that transcends origin, context and community.

The national exists as the political realm in which indication is made manifest but is itself increasingly negligible in influence of design and control (power and authority). At the level of the state/national, in the form of its money currency, values materiality is actualised (made manifest) – seemingly escaping the onto-phenomenological question – except in the evening news exchange rate an equity highlights and sometimes headlines (comparisons) also comment is made on day reports.**

Profit maximisation has transpired as the logic of capital in all its forms – not just in the overall circuit of M – C --- {P) --- C1 – M1 where M1 > M. Within M (Money/Finance) alone it is possible for participants in global money/finance markets to achieve the same outcome (M1>M) – where profit is found in (M+m) there is an infinite regression of possibilities within M alone as traders engage in speculative activity. Buying and selling simply according to recent price histories and anticipated general movements of currencies, equity, financial instruments (debt/futures/bonds) registered on globally instantly informed market listing – that operate within their own high frequency (short term yielding)n cycles according to markets confidence or actual dissemination of potential or relevant information for changed expectations. These markets are at time volatile and competitive. Interaction amongst traders within electronic commerce of M alone can lead to digital crashes – market meltdowns – such as is not necessarily reflective of actual circumstances of production possibility.

"The traditional economic view is that the laws governing markets are virtually impenetrable – driven by the different perceptions of every trader and forecaster, and swayed by complex political banking and industrial factors"(M Brooks 'Boom to Bust', New Scientist 18/10/97: 120)

A distinction however needs to be made between different sorts of traders. Not all traders buy and sell in order to maximise (paper) profits. Reserve and Central Banks who make up nearly a third of all trading engage in markets to simply bolster reserve assets and to stabilise fluctuations in their currency. Nevertheless traders respond to indicators. Price variations of financial commodity assets are most immediate (short term yield) and expectations (as cumulative factors). Political change such as is enmeshed in macro considerations also effect inducements to trade (see for example the recent past history of Argentina).

None operate in an abstract vacuum, some indicators are considered more significant for economies that are developing (emerging markets) others are relevant for the older western industrialised capitalist countries. ‘Burgernomics’ (The Economist Magazines Big Mac index) is perhaps the most bizarre of these indicators – although self derisively described as light hearted, its significance is nonetheless worth commenting on. To quote:

“Based on the theory of Purchasing Price Parity – the notion that an identical basket of goods and services should cost the same in all countries. The Big Mac PPP is the exchange rate that would leave hamburgers costing the same in America as abroad. (The Economist 3.1.98: 98)

Despite the humorous introduction to the consideration of the Burger Indicator the attached discussion goes on to suggest explicit quantified advice. The East Asian currencies are undervalued and countries such as Britian are over valued. The article includes a chart in which most currencies are given percentage valuation indicators. That is fairly specific suggestions about the appropriateness of currency values based on this one fairly inane indicator.

On the other hand however the indicator might serve an interesting role. Assuming that all McDonalds restaurants use the same technologies – from cashiers to deep fryers etc and the commodity (the hamburger) is standardised globally (give or take a re-hydrated gherkin slice) then the indicator is in fact a fairly reliable guide to the minimum wages of all countries listed.

Suffice to say that there are a number of indexes and indicators used to assess growth and sustainability. Commodity prices such as gold and oil are significant psychologically as background movements and are within the Australian context reported on nightly in the finance section of the evening news on all channels. Home building approvals, car registrations and basket of goods (aggregate) indicators exists in the form of the consumer price index as a measurement of changes in the cost of living. On the stock markets each country also compiles a basket of common equities and their aggregate movements are reported each night (finance news) as movements in the all ordinaries index. Currencies exchange values and movements therein are reported also through out the day and on nightly television news. To all this the print media lists in detail opening and closing values and detailed reports on the most notable occurrences in the market. Increasingly informed comment accompanies as analysis the most significant changes and thereby shields the market against the worst abuses of speculative activity.

Speculative activity (gambling) on the markets tends to be the activities of superannuation and insurance traders as well as an influential group of individuals and companies and no doubt has added to the problem of a short term tandem bubble market as exists in the form of the Nasdaq. These dealers are in constant interface with stock and financial commodities price movements and buy and sell sizable amounts throughout trading. This thesis casts light on this area of onto phenomenal stability and instability to the determinants of the materiality of value – and the dangers of trading within the category of M. More on this later.

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* see for example the sacrificing taken place from the Treaty of Mastrist and on for EU member countries to qualify to join the single currency.

** remembering that the post war long boom was underpinned by state management of aggregate effective demand with a strong macro-economic underpinning (see Aglietta's theory of Capitalist regulation – Fordist era - correspondence between mass production and mass consumption).

** This hasn't always been the case- indeed period crises of capitalism derived from the instability between the form and the face of money in metal and paper/plastic currencies. The post war fixed rates from 1946 until 1971, one ounce of gold equalled $ 35 US, this controlled expectations and imposed a sense of stability.. This ended by Nixon decree 1971 suspending the convertibility of US dollars for stocks of gold - .(Gauls' Gall!) – It is interesting to note that it was only in the market crashes of 1997 that gold fell for the first time along with currencies Document this.