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MARTHA CAMPBELL

Marx and Keynes on Money

The publication in 1979 of Keynes's 1933 drafts of *The General Theory* has renewed interest in the relationship between Marx and Keynes.[1] Keynes himself invites the comparison by his praise of Marx's observation that "the nature of production in the actual world . . . is a case of *M–C–M′*" (1979, p. 81). In these drafts, Keynes is conceived to have come "closer to Marx than ever" (Sardoni, 1997, p. 278). Like Marx, Keynes emphasizes that money is the motive of capitalist production. Moreover, Keynes begins his argument in these drafts with the contrast between a cooperative (or barter) and entrepreneur (or monetary) economy, which several commentators have found to be reminiscent of Marx's discussion of crises in *Theories of Surplus Value, II.*

As I will argue, for the most part the terms of this comparison are set by Keynes's agenda. Those aspects of Marx's theory that can be forced into the Keynesian mold, are, while those aspects that have no counterpart in Keynes are overlooked. In particular, as there is no counterpart in Keynes to Marx's theory of money as universal equivalent, it does not figure in the discussion. Marx's concept of the universal equivalent, however, is the core of his explanation both of value and of money. It supplies the foundation for his case that valorization is the goal of capitalist production. Although Keynes emphasizes that the aim of business is to make money and that money affects "motives and decisions," value expansion as the goal of capitalist production has

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a different meaning in his theory than in Marx's (it is a proximate, rather than a final goal) (Keynes, 1933b, p. 408).

I will begin by examining three Keynesian interpretations of Marx. These will show how the universal equivalent is disregarded and the difference that including it would make (thus, what it is and why it is important). I will then show that the universal equivalent cannot be incorporated into Keynes's theory and how this affects his explanation of uncertainty and hoarding.

Keynesian interpretations of Marx

Sardoni: Uncertainty, hoarding, crises

According to Sardoni, Marx rejects Say's law for the same reason as Keynes, namely, that a shortfall in aggregate demand can arise from increased capitalist hoarding. As in Keynes also, hoarding occurs because of the uncertainty of future profits, to which capitalists respond by leaving money idle instead of buying productive capital. As Sardoni acknowledges, this poses a problem as an interpretation of Marx: Profit expectations do not figure prominently in Marx's account. Sardoni argues, however, that "Marx's concept of the capitalist mode of production is such that . . . decisions of capitalists must be based on expectations. . . . [since] The division of labour itself prevents any individual firm from knowing with certainty the market for its commodities" (Sardoni, 1997, p. 266). He maintains in addition that Marx's "discussion of hoarding make[s] sense . . . only if expectations are introduced" (Sardoni, 1991, p. 226).

On the other side, Sardoni argues that Keynes is closer to Marx than is evident from *The General Theory*. Their similarity is disguised, first, because Keynes abandoned the strategy of contrasting barter and monetary economies (as in the 1933 drafts) in order to confront the neoclassical version of Say's law. This shifted Keynes's focus to the subject of the impossibility of unemployment, an implication of the neoclassical but not the Ricardian version of Say's law. Second, *The General Theory* in its final form has the further disadvantage that it does not "place capitalist entrepreneurs' decisions at center stage" (Sardoni, 1997, p. 277). By this Sardoni means that *The General Theory* seems to downplay both contrast between making goods and making money of the drafts and the effect of money on "motives and

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decisions" of "A Monetary Theory of Production" (Keynes, 1993b, p. 408).

Sardoni's interpretation of Marx will be challenged on two counts. The first is Sardoni's claim that the uncertainty associated with a monetary economy results from the division of labor.[2] The second concerns Marx's view of hoarding; specifically, whether Marx, like Keynes, regards hoarding (or, as Keynes calls it, the demand for money) as the principal cause of crises. Sardoni's interpretation will be considered at some length because it is shared by other Keynesians.[3]

To be clear about the first point, it does not matter for Sardoni's purposes whether uncertainty arises from the division of labor or some other cause. The critical issue for Sardoni (as for Keynes) is whether production decisions are made in the context of uncertainty. This he argues is as true for Marx as it is for Keynes. While this part of Sardoni's argument is unobjectionable, it overlooks the crux of Marx's theory of money as universal equivalent. Marx is concerned precisely with the cause, not so much of uncertainty, but of the all-sided exchange of products from which uncertainty results. Moreover, it is central to Marx's case that this cause is not the division of labor.[4] Sardoni's attribution of uncertainty to the division of labor, therefore, is symptomatic of his failure to recognize what the theory of money as universal equivalent involves.

In *Capital*, Marx makes a point of distinguishing the social division of labor from constitution of social labor by "mutually independent acts of labor, performed in isolation" from each other (CI, p. 132). While Marx presents the former as a "necessary condition for commodity production," he evidently regards it as a characteristic of production in general, since he says that it is also present in "the primitive Indian community" (p. 132). By contrast, Marx presents the latter, which he also calls private and independent labor, as the sufficient condition for products taking the commodity form (that is, its consequence is that products must be commodities). This means that it must be unique to commodity production, and so to societywide exchange and money as universal equivalent.

Although the private and independent character of labor is central to Marx's account, the reader of *Capital* must struggle to decipher what he means by it. One of the clearest clues emerges from his contrast between commodity-producing society and the "association of free men" (CI, p. 171). Marx describes the latter as being based on "the

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means of production [being] held in common" (p. 171). It follows, on the other side of the contrast, that the private and independent character of commodity-producing labor results from the means of production being 'held' as private property.[5] In other words, the private ownership of the means of production has the effect that "the aggregate labor of society" is composed of "the labor of private individuals who work independently of each other" (CI, p. 165).[6] Although labor activities themselves are conducted independently, they nevertheless constitute social labor since the products are not intended for the use of the immediate producers. On the other hand, because labor activities are not directly associated (or, in other words, because commodity producers do not work "on the means of production held in common" (CI, p. 171), they are linked only indirectly by the exchange of their products. Putting the two together, commodity production (or production for sale) is an indirect way of linking directly independent labor activities. Since all products exchange for money, money is the means by which all independent labor activities are unified into "one . . . mass of labor power" or the "total labor-power of society" (CI, p. 129). In this sense, money allows labor to be both social and independently conducted.[7]

This explanation has two important but seldom noticed implications. First, that Marx attributes the commodity form (and so the commodity's value character) to the private and independent character of labor, and this, in turn, to the private ownership of the means of production, shows that he regards property (or in general terms, appropriation) relations as part and parcel of production. In other words, production in Marx's sense includes appropriation.[8] This is why Marx maintains that production always has some social form, the "form" being the appropriation relations through which the means of production are used in any given social setting. Second, in the case of capitalism, private ownership is the typical or dominant form of appropriation of the means of production. This means that products are typically commodities, production is typically production for sale, hence money is, for all intents and purposes, the equivalent for all products. The "universal" of money as universal equivalent, therefore, has the strong sense of all-inclusive, meaning encompassing total social production.

To return to Sardoni, if Marx were to employ the Keynesian terminology of expectations and uncertainty, he would attribute the kind of uncertainty that is specific to a monetary economy to the private and

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independent character of social production. Uncertainty would then mean that uncertainty that results from the absence of direct coordination among the activities that constitute the total labor of society. As will be shown next in connection with Sardoni's interpretation of hoarding in Marx, the absence of coordination also underlies Marx's objections to Say's law.

Sardoni's reading of one particular passage from Marx illustrates the difference between Marx and the Keynesian position Sardoni attributes to him. To set the stage, Marx is responding to Ricardo's claim that "any amount of capital can be employed productively in any country" (SVII, p. 493). Having noted that the reproduction (and accumulation) of capital requires the replacement both of the use values that make up capital and of the value of capital advanced, Marx states:

> If, therefore, *through any circumstance or combination of circumstances*, the market prices of the commodities . . . fall far below their cost-prices, then reproduction of capital is curtailed as far as possible. Accumulation, however, stagnates even more. Surplus value amassed in the form of money (gold or notes) could only be transformed into capital at a loss. It therefore lies idle as a hoard in the banks or in the form of credit money, which in essence makes no difference at all. *The same hold up could occur for the opposite reasons, if the real prerequisites of reproduction were missing (for instance, if grain became more expensive or because not enough constant capital had been accumulated in kind). There occurs a stoppage in reproduction, and thus in the flow of circulation.* Purchase and sale get bogged down and unemployed capital appears in the form of idle money. [SV II, p. 494, emphasis restores Sardoni's deletions][9]

The meaning Sardoni attributes to this passage is that "capitalists' propensity to hoard can increase and trigger a general overproduction crisis."[10] In Marx's account, however, hoarding appears as the *result* of the separation between sale and purchase, which he, in turn, attributes to some other cause. In Marx's first case, the break in circulation (i.e., capitalists do not buy) is caused by a fall in ouput prices and, in turn, creates hoarding. Marx does not say why prices fall, but his phrase "any circumstance or combination of circumstances" suggests a number of possible causes. There is no reason to suppose, therefore, that the fall in prices is itself caused by hoarding and a consequent shortfall in aggregate demand. (As we will see shortly, Marx himself

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suggests a different cause than hoarding.) Hoarding could be just the passive consequence of the break in circulation that results from production being unprofitable. The same is true in Marx's second case. Here a shortage of constant capital, whether or not accompanied by an increase in its price, leads to a halt in production. This, in turn, interrupts circulation and generates hoarding ("idle money").[11]

As these two cases illustrate, according to Marx, first, the flow of circulation (or link between sale and purchase) breaks whenever the reproduction of capital is disrupted. Second, the latter occurs whenever either value advanced is not replaced or value flows do not allow use values to be replaced in a way that allows reproduction to continue along the same lines as previously. As Marx illustrates throughout the section on crises, virtually any change that affects "the principal commercial goods" can prevent reproduction from proceeding continuously (SVII, p. 505).[12] To cite just a few of his examples, the causes of crises include: technical change that lowers the value of a commodity and depreciates the already existing stock of it (SVII, p. 495, 534); technical change that increases the rate at which raw materials are transformed and so the demand for them and their price (SVII, p. 533); and harvest failures, leading to shortages and increased prices (SVII, pp. 515, 533).[13] The first of these (technical change that reduces the price of output) could be responsible for the fall in prices Marx mentions in the passage quoted earlier. Finally, as further evidence against Sardoni's case that hoarding is the cause of crises, Marx observes, "there are besides [these], a large number of other factors, conditions, possibilities of crises" (SVII, p. 533).

For Marx, the ultimate reason why capitalist reproduction is subject to disruption from any number of sources is that it is a system (or unity) of independent producers. The contradiction between unity and independence characterizes every aspect of capitalism, from its simplest element, the commodity, to the crisis, which engulfs the whole system. At one end of this range, Marx sees this contradiction as the origin of the dichotomy between use value and value within the commodity which is reproduced externally in the dichotomy between commodities and money. At the other end of the range, he sees the crisis as the reimposition of unity over all the parts of the system, which, because of their mutual independence, have gone separate ways and become incompatible with each other.[14] Between the two extremes of the "economic cell form," the commodity, and the crisis of the system as a

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whole, Marx also attributes to the contradiction between unity and independence the dichotomies between the circulation and production phases of capitalist reproduction (SVII, p. 513), between producers and consumers (SVII, p. 519), the market and production (SVII, p. 525), the limits imposed on the needs of wage laborers versus the expansionary nature of capitalist production (SVII, p. 535). Marx's case against Say's law is that it denies every one of these dichotomies, in each instance asserting the unity of the elements involved to the exclusion of their independence. As argued earlier, in his own theory Marx identifies the ultimate source of this contradiction as the private and independent character of social labor and explains how the contradiction can be sustained (i.e, why interdependence and independence are simultaneous rather than mutually exclusive) by the theory of money as universal equivalent.

With this, we may return to Sardoni's claim that Marx sees hoarding (and the function of money as store of value associated with it) as the source of crises. There is a connection in Marx's view between crises and money, but this connection relates to money as universal equivalent, not to the store of value function. The connection is that crises are the most all-encompassing, hence complex, manifestation of the contradiction between unity and independence, and money, as universal equivalent, makes the existence of this contradiction possible. This is not to say that crises have no relation to money's functions as store of value and means of payment, but just that money's performance of these other functions cannot generate crises unless money is the universal equivalent (i.e., unless production is private and independent and monetary exchange of products, the means by which labor activities are associated).[15] As for the break between sale and purchase, Marx maintains that "no crisis can exist" without it but also that it "is never the *cause* of the crisis" (SVII, pp. 512, 515). As noted earlier, the flow of circulation stops whenever the reproduction of capital is disrupted. Whatever disrupts reproduction causes the crisis; the separation of sale and purchase is the visible effect or "most generalized expression" of a whole range of such causes. Further, whenever sale and purchase are separated, money drops out of circulation and becomes "idle," but hoarding of money need not arise from any active "propensity to hoard."[16]

Sardoni's interpretation of Keynes is less problematic, but one point should be made about it. First, Keynes intends his cooperative (or

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barter) economy as a characterization of neoclassical theory. The salient point about it for Keynes is that capitalists' profit expectations cannot be disappointed. All income is paid in products (or if in money, with the stipulation that it is spent) so that a shortfall in aggregate demand is impossible. Thus Keynes does not change his mind in any essential way between the drafts and the *General Theory*: Aggregate demand is *the* monetary problem, hoarding (or the propensity to hoard) is its cause, profit expectations are the cause of hoarding, and unemployment is the result. In other words, Keynes does not, as Sardoni argues, abandon the contrast between a monetary and nonmonetary economy because he gets sidetracked to the question of unemployment by the neoclassical version of Say's law. He abandons the contrast because he is concerned all along with the theory of unemployment and finds a more straightforward way of addressing it. Keynes begins the *General Theory* with the two "classical postulates" (which define the neoclassical supply and demand for labor schedules) because this gives him a direct way of confronting the neoclassical concept of the labor market. As Keynes shows very strikingly in chapter 2 of *The General Theory*, neoclassical theory conceives of the labor market in a way that precludes the possibility of unemployment.

Rotheim: Classical theory as a special case; income distribution

Rotheim argues that Marx and Keynes reject their respective classical economics for "surprisingly similar" reasons (1991, p. 253). His first reason is that both Marx and Keynes conceive classical theory to apply only to the special case of equilibrium. The argument is plain enough in Keynes; Rotheim interprets Marx to be making the same point in criticizing Ricardo for attaching no significance to specifically capitalist forms. On this basis Rotheim argues that, by correcting this defect of Ricardo's, Marx, like Keynes, developed a more general theory that applies to both equilibrium and disequilibrium.[17] Second, Rotheim argues that, for Marx as for Keynes, the "fundamental contradiction" in capitalism (and the reason why capitalist production is "anarchistic") is that the distribution of income that makes wages low enough to yield profits may be inconsistent with the level of aggregate demand required to buy the total social product (Rotheim, 1991, pp. 246, 247).[18] Third, Rotheim argues that once Marx and Keynes abolish the classical (in both senses) dichotomy between monetary and real factors, they

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both show that money is not just a medium of exchange but also a store of value and means of payment. For Rotheim, this is significant because, while money in the first function is a transient link between the sale of one commodity and the purchase of another, in the second two functions it is not. These two functions, therefore, "are the revelation of an economy which cannot be characterized by a real equilibrium with a means of circulation appended as an afterthought" (1991, p. 261).[19] By this different route, therefore, Rotheim reaches the same position as Sardoni. Rotheim's first two similarities between Marx and Keynes are novel, however, and will be evaluated in turn.

On the subject of classical theory as a special case, Marx's argument that Ricardo denies the possibility of overproduction by treating specifically capitalist forms as insignificant means not that Ricardo describes the special case where overproduction is absent, but that he is just wrong. From Marx's perspective, Ricardo's theory is fundamentally inconsistent: On the one hand, it claims to explain value (or at least the quantitative determination of value); on the other, it denies the basis for value's existence, namely, the private and independent character of social production (this Ricardo denies implicitly rather than explicitly, for example, by attributing no necessity to exchange or money and by positing a tendency toward equilibrium, in the sense of proportional production). In general terms, Ricardo simultaneously describes capitalist forms and abolishes the reason for them.

This also shows what it would take to incorporate Marx's "specific forms" into the theory of capitalism. All specifically capitalist forms follow from the private ownership of the means of production.[20] This is what makes social production (in the sense of labor activities themselves) private and independent and, as its counterpart, necessitates the exchange of products for money. Given the necessity of monetary exchange, all other capitalist forms follow logically from it (namely, that products are commodities, that money embodies value over and against commodities, and, as will be shown in a moment, that value is the goal of production, so that society must be divided into wage laborers and capitalists).[21] Thus, incorporating Marx's specific forms requires the integration of appropriation relations into economic theory (or as Marx calls it, the theory of production). To put the case another way, when Marx says that Ricardo describes capitalist production "as if [it were directed] according to a plan," he means not that Ricardo has described a planned economy, but only that Ricardo claims that

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production corresponds to consumption, which is one of the results economic planning is supposed to achieve.[22] To describe a planned economy, Ricardo would have had to specify the principles by which needs are defined, by which labor activities are allocated to satisfy these needs, and the members of society assigned to tasks and entitled to shares of the social product.[23] This is what all systems of appropriation relations (or as Marx calls them, modes of production) do and, in a system of private ownership where the correspondence between needs and labor activities is not established directly, it is accomplished by the exchange of all products for money. The inclusion of specific forms does not mean simply taking into account that money is a means of payment and store of value (as Rotheim suggests).

The danger in Rotheim's contention that Ricardo is a special case for Marx as neoclassical theory is for Keynes is that it suggests that Ricardo is partly right because he saw one aspect of capitalist forms, their unity, without the other, their independence from each other. In fact, from Marx's standpoint, Ricardo is completely wrong because he does not explain the coexistence of unity and independence, which is the distinctive characteristic of capitalist forms. The theory of money as universal equivalent explains how these apparently mutually exclusive features could coexist in one system. In its absence, either one aspect or the other must be considered dominant. Hence, economics divides into two camps, the one holding fast to equilibrium ("rational expectations" or true prophecies, the long run, and logical time), the other, to disequilibrium and crises (expectations, the short run, and real time). Marx's case that capitalism combines both unity and independence means that he subscribes to neither alternative. From Marx's perspective, proportional production (general equilibrium) is an accident. Since theories do not describe accidents, it would be strange if equilibrium were the subject of Marx's theory. Rather, he suggests that the economy tolerates some degree of incoherence (disequilibrium) and responds to intolerable levels of incoherence, not by tending toward coherence (equilibrium), but by collapse in crises. Rotheim's transformation of Marx into Keynes overlooks Marx's explanation for the coexistence of unity and independence (i.e., his theory of money as universal equivalent) and places Marx with Keynes in the contest between equilibrium and its opposite.[24]

On Rotheim's second "similarity," the centrality of income distribution, Keynes argues that neoclassical theory assumes that the shares of

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output received by different factors are determined in advance of production.[25] This assumption, he maintains, is implicit in the neoclassical claim that aggregate demand cannot fall short of total output, since it follows from this that profit expectations cannot be disappointed.[26] On Keynes's side, therefore, the principal problem associated with money, for Keynes, is aggregate demand; income distribution comes into the picture only because a shortfall in aggregate demand would reduce profits.

On the other side, Marx does regard the opposition between wage labor and capital as the dominant relation in capitalism, and even says at one point that:

> The ultimate reason for all real crises always remains the poverty and restricted consumption of the masses, in the face of the drive of capitalist production to develop the productive forces as if only the absolute consumption capacity of society set a limit to them. [CIII, p. 615]

The relation between wage labor and capital, however, is not reducible to income distribution. At the very least, it presupposes the private ownership and unequal distribution of the means of production (which Marx calls the distribution "comprised within the process of production itself" [G, p. 96]). Taking this into account, however, changes the meaning of production from a material process to a social way of producing. Private ownership itself (apart from its further specification into the wage labor/capital relation) stands in the way of seeing capitalism as one such way: Private ownership does not seem to entail a system of appropriation relations or form of social production. The object of Marx's theory of value and money as universal equivalent is to show that it does. Because the means of production are private property, production activities are not coordinated directly. That the commodity is the form of products, however, shows that production activities are associated (and, therefore, social) indirectly by the exchange of products. Further, that commodity exchange is the exchange of all products for one and the same thing, money, shows that all products (and so all production activities) are commensurable with each other, and, as such, parts of a whole. In this way, private property and the monetary exchange of products are shown to be complementary aspects of one appropriation relation, that is, of a means of coordinating production activities with needs (i.e., of allocating labor).

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Marx can proceed from this point to the demonstration that the wage labor/capital relation is implicit in the private ownership of the means of production. Having established that private ownership (together with commodity values and money) is one way of allocating labor, Marx can question the purpose of this, as opposed to some other way, of allocating labor. What is achieved by the control over the objective means of production, through their private ownership, is the appropriation of other people's labor in the form of value. The way this appears in capitalism—because of the indirect association of labor through the exchange of its products—is that the motive of production is to produce value (or money profits). The precondition for realizing this goal is that ownership of the means of production be unequally distributed, hence that society be divided into wage laborers and capitalists.[27] As this summary of Marx's argument shows, he regards money as universal equivalent as the necessary counterpart of private ownership; the further specification that owners are divided into wage laborers and capitalists (Rotheim's "income distribution") has to do not with money as such, but with money as capital.[28]

Dillard: Money as an institution

Dillard characterizes money as the "socially recognized form of private wealth," which seems to place him closer to Marx than the previous two commentators (1988, p. 215).[29] Further, he stresses the importance of Marx's demonstration that "money is the logical and necessary outcome of a system of commodity production" (p. 220). The significance of this demonstration for Dillard, however, appears to be that establishing the necessity of money paves the way for making the further case that money's presence has consequences for the way capitalist production behaves. For the consequences themselves Dillard turns to Keynes, Marx, and the two institutionalists, Veblen and Copeland. Dillard draws on Keynes to explain why money "sets the standard for wealth holders," meaning why the special properties of money cause the rate of interest to fall less rapidly than other rates of return (p. 227).[30] In the context of capitalist class relations, he argues, this characteristic of money has the capacity to produce unemployment. In capitalism, the means of production can be withheld from workers because they are private property. It follows that, if money is present, the means of production will be withheld from labor whenever producing is

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not expected to match the return to lending money. Dillard includes among the consequences of money elements of Marx's account of the role of money in the circulation of capital (i.e., of *Capital,* vol. II). Like the elements he has drawn from Keynes, Dillard regards these as evidence that money affects the way the economy functions. Overall, Dillard ends up quite close to Keynes, regarding unemployment as the principal consequence of money. Thus, he summarizes his position:

> What is special about money under capitalism is that the private owners of capital assets may be deterred from making them available to wage earners because of uncertainty concerning the terms on which real output can be converted into money in the future at time of sale. [1988, p. 205][31]

Dillard's argument, it should be noted, is a plea for the institutionalist approach. The explanation just outlined "of the way in which the institution of money capital affects the behavior of business firms and the economy as a whole" illustrates Dillard's more general point that "the universalist type of analysis to which mainstream economics makes pretensions" cannot explain the way "the system actually works" (1988, pp. 207, 220). In the same vein, Dillard characterizes Marx as the "original institutionalist" because Marx "integrated money into . . . the laws of the motion of capital" (Dillard, 1988, p. 226). Ironically, this just grazes the surface but misses the real force of Marx's conception of money as universal equivalent. For Marx, money is not an "institution" set over and against production but an essential relation of production. This is because Marx redefines production to mean the "appropriation of nature on the part of the individual within and through a specific form of society" (G, p. 87).[32] Production, in Marx's sense, then includes all the facets of society (such as, in capitalism, private ownership and money) that appear as "institutions" from the perspective of the concept of production as the physical transformation of material.

Institutionalists, such as Dillard, are right to claim Marx as one of their own in the sense that Marx never abstracted from what they call institutions. Marx is not an institutionalist, however, in the sense that he does not confine himself to demonstrating that institutions have an impact on the behavior of the economy. His argument is more radical: The economic system *is* an institution (that is, it is comprised of social relations) and the idea that it is not is a misconception fostered by capitalism.

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The universal equivalent

Keynes appeals to the symptoms, but precludes the concept of money as universal equivalent

One of the important differences between Marx and Keynes to emerge from the foregoing is that, for Keynes, the principal consequence of money is its effect on the level of employment.[33] For Marx, by contrast, the universal equivalent is the necessary counterpart of exchange when the exchange of products is the means of allocating social labor. Developing this difference further, the characteristic to which Keynes attributes money's macroeconomic impact, namely, uncertainty, also figures in Marx's account. First, however, while Marx attributes uncertainty to the allocation of labor by the exchange of products (i.e., to private and independent production), Keynes explains uncertainty in universal terms. Keynes's theory is attacked precisely on the score of uncertainty; his assertion of uncertain expectations is countered by the neoclassical assertion of rational expectations. Thus, Marx's theory could, in principle, provide a more solid foundation for this aspect of Keynes's theory than Keynes himself supplies. Second, however, Marx's concept of the universal equivalent cannot be incorporated into Keynes's theory because it is incompatible with Keynes's explanation of money's effect.

To substantiate the first point, according to Marx, the ultimate reason that uncertainty is associated with capitalists' production decisions is that they are producing for needs that are not known to them—the needs of other independent individuals, not specified in advance.[34] In other words, uncertainty arises because the "social character of labor"—meaning, whether or not the product satisfies a need—"appears as the monetary existence of the commodity . . . outside actual production," making the commodity's transformation into money and so the profitability of its production accidental (CIII, p. 649). Alternatively, the confidence capitalists require to engage in production is confidence about the "social character of production," that is, that the product will prove, by its sale, to satisfy a social need (the need of some buyer) in spite of having been produced for an unknown need (CIII, p. 707). The unknowability of the needs that commodities are produced to satisfy, or the uncertainty over whether labor is in fact social, results from the private and independent character of labor.

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Similarly, time figures in capitalists' calculations, according to Marx, because of specifically capitalist conditions: That exchange is necessary for production means that capital must run through a circulation process that can extend "over a fairly long period of time"; proportional production is "accidental," among other reasons, because market conditions are likely to have changed during this time; that capitalist production is inherently dynamic because its goal is surplus value means that technology is likely to have changed as well (see SVII, pp. 495, 493).

Keynes appears to echo many of the same ideas. In fact, however, his case for uncertainty rests on the time-consuming nature of production and the unknowability of the future or, in other words, on universal characteristics of production (Marx's characteristics of production in general).[35] Given that uncertainty results from the unknowability of the future and that holding money avoids commitment to any definite form of wealth, it follows that "the importance of money essentially flows from its being a link between the present and the future" (not, as Marx would say, a link between private and independent producers) (GT, p. 293).

This is not to say that the simultaneous interdependence and independence of capitalist forms does not appear in Keynes's account. Keynes is obviously describing firms that make production decisions independently of each other but whose sales are dependent on the outcome of their collective decisions. Further, Keynes argues for a separate macroeconomics on the grounds that determining the whole by the simple sum of individual decisions involves a fallacy of composition; that the collective outcome is instead unintended and unanticipated.[36] In addition, Keynes's argument that savings and investment are necessarily equal but result from decisions made by different people for different reasons is a perfect illustration of simultaneous unity and independence. Nevertheless, Keynes's entire theory is intended to show that crises and unemployment do not arise from this contradiction.

According to Keynes, they arise instead because the existence of money and financial assets allows for the divergence of individual and social interests. Money and financial assets are attractive forms of wealth to the individual because they avoid the commitment entailed in producing. They confer no benefit on the community as a whole, however, because they do not result in the production of real wealth.[37] To put it the other way around, if money and financial assets did not exist—"if investment markets were not organized with a view to so-

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called liquidity"—social and individual interests could not diverge and the satisfaction of social needs by private and independent production would not, by itself, pose any problems (GT, p. 155).

This thesis pervades the *General Theory*. For example, the problem with a monetary economy, according to Keynes, is not that needs are unknown but that total spending (i.e., aggregate demand) is unknown.[38] To take another of Keynes's conclusions, real capital must be scarce enough (and the level of employment low) to keep the profit rate high, not, as in Marx's theory, because the purpose of private ownership of the means of production is to make profits (i.e., to appropriate other people's labor as value), but because the profit rate must match the rate of interest. If it were not for the special characteristics of money, which keep the rate of interest high, real capital could be expanded, with the result that the rate of profit would fall, up to the point at which all labor is employed. Money and private ownership are tied to each other (so that money cannot be eliminated from a private enterprise economy), for Keynes as they are for Marx, but for entirely different reasons. For Marx, private enterprise cannot be a kind of social production without money. Keynes's reason is instead that money possesses utility for the individual (because it avoids commitment to a specific form of wealth) and private ownership makes wealth subject to individual control. Since, given uncertainty, money serves a purpose for individual owners, they cannot be prevented from making some durable asset into money by according it a high liquidity premium.[39] Finally, Keynes's proposal to preserve private property and nullify money's effects by reducing the rate of interest shows very clearly that he does not regard private ownership as a problem in its own right (either as the basis of private and independent production or as capital). Nor does he see money as the necessary counterpart of private ownership. In these ways, Keynes's explanation of the effect of money is incompatible with Marx's universal equivalent.

Money as the goal of capitalist production

By far the most serious consequence of excluding the universal equivalent is that Keynes cannot argue that money is the final goal of capitalist production. As argued earlier, Marx makes this case by establishing that private ownership, complemented by money as universal equivalent, is the basis for one form of social production. Only on this basis

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can he maintain that value (as expressed in money) is the goal realized by this particular *way* of allocating social labor.

Keynes emphasizes that "parting with money . . . in order to obtain more money . . . is the attitude of *business*" (1979, p. 81). In Keynes's framework, however, the pursuit of money by individual firms can only be the means to satisfying needs for society as a whole. At the level of society as a whole, money can only be a proximate goal. This is, in fact, what Keynes says: "consumption—to repeat the obvious—is the sole end and object of economic activity" (GT, p. 104). Moreover, it is all that he can say. Only different particular ways of satisfying needs (i.e., of allocating labor) can achieve anything besides the universal goal they all share, and Keynes lacks the grounds for showing that private ownership is one such way.[40] Keynes's case, therefore, is that making money functions less than perfectly as a proximate goal because there are (antisocial) ways of realizing it that do not involve the production of real wealth.[41]

With this clarification of the different ways in which Keynes and Marx conceptualize value as goal, we can return to the issue of hoarding, which, as Sardoni's account illustrated, figures prominently in Keynesian interpretations of Marx.

Hoarding

Because Marx does and Keynes does not establish value as the final goal of capitalist production, their conceptions of hoarding are entirely different. From Keynes's standpoint, that the ultimate purpose of production is consumption, hoarding cannot be anything but disruptive (i.e., produce stagnation or crises). Keynes set out to show why hoarding could occur even though it is disruptive. This he accomplishes by the theory that hoarding serves an individual purpose under conditions of uncertainty.

In Marx's account, by contrast, hoarding, while not an end in itself, is a precondition for valorization.[42] Hoarding allows the reproduction of capital to proceed continuously in spite of discontinuities inherent in the turnover and accumulation of capital. For example, it allows the reproduction of capital to transcend (1) differences in the time required for the production and circulation phases of the circuit of capital (turnover hoards), and (2) differences in the time required for the value of different components of productive capital to be realized (fixed capital

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hoards). Further, hoarding allows capitalist reproduction to make the transition from older, smaller-scale to newer, larger-scale techniques of production (accumulation funds).[43]

From his demonstration that hoards are required for the reproduction of capital, Marx explains why the credit system comes into being: Hoards that capitalists would have to hold individually in the absence of the credit system can be used more effectively by the capitalist class as a whole if they are pooled. From the perspective of the individual capitalist, hoards placed in the credit system claim a share of surplus value instead of being "idle" (in the sense of not "making money"). The tradeoff, however, is that individual capitals are made interdependent in a new way by the pooling of their reserves into a common fund.

In turn, from the effects the credit system has on the reproduction of capital, Marx explains why interruptions in the reproduction of capital become generalized into crises. In brief, with the credit system, the realization of value is anticipated by the debt that one capitalist grants to another.[44] If the expansion of debt corresponds to the expansion of the value of output, anticipated values are in fact being realized. Debt may expand to a greater extent than the value of output, however, and when it does, pseudo-realization of value replaces the true realization of value. In this way, the credit system disguises realization problems at the same time that it increases the interdependence of individual capitals. The sign that the reproduction of capital has in fact stopped (i.e., that value is not being realized) is that debt commitments far exceed any reasonable expectation of sales. When this becomes apparent, all debt (good and bad alike) is discredited (in the extreme case of a bank run, the liabilities of banks [deposits] are no longer regarded as money). The overextension of debt to disguise the absence of sales results in the periodic devaluation of debt, which Marx calls the collapse of the credit into the monetary system.[45] Its effect is the kind of "hoarding" (or increased demand for money) that Keynes describes: an increase in the liquidity premium on money or a rise in the interest rate.[46] The increased demand for money, under such conditions, is demand for money as a means of payment. Money payments must replace debt because confidence in debt has been undermined (CIII, pp. 707, 729). As in Marx's simpler accounts of the separation of purchase and sale (cited in connection with Sardoni's interpretation), devaluation of debt is the visible manifestation of the disruption of capitalist reproduction; it is not the cause of this disruption. In turn,

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"hoarding" is the effect of the collapse of the credit system, not, as in Keynes's theory, the cause of stagnation.

Notes

1. The drafts appear in Keynes (1979), pp. 62–102. Commentaries on them include Sardoni (1993, 1997), Rotheim (1981, 1993), Kenway (1980), Foley (1986), and Dillard (1988). Marx's works will be cited by the abbreviations CI, CII, and CIII, for the three volumes of *Capital*, SVII for *Theories of Surplus Value*, vol. II, and G for the *Grundrisse*. Keynes's *The General Theory* will be cited as GT.

2. Sardoni consistently attributes uncertainty to the division of labor (see also Sardoni, 1986, p. 472, and 1993, p. 227). Rogers (1989, p. 166) holds the same view. As Cottrell (1994, p. 592) remarks in his survey, the question whether money is necessary given the "complex division of labor and ramified interdependence-via-exchange" is "typically . . . left implicit" in Post Keynesian monetary theory. Confusion or silence on this score suggests that Keynes (and his followers) lack Marx's distinction between the division of labor and the private and independent character of production. As will be argued below, this is a crucial difference between Marx and Keynes.

At one point in his discussion of crises, Marx does speak as if different capitals are independent of each other just because of the division of labor (SVII, p. 511). Given Marx's case in *Capital* that private and independent labor is one of several forms of the division of labor and his references to the opposition between private and social labor elsewhere in *Theories of Surplus Value* (SVII, pp. 504, 509, 529), this one instance must involve an ellipsis.

3. For example, by Kenway (1980) and, as I will show later, by Rotheim (1991).

4. Marx is rejecting Adam Smith's association of the division of labor with exchange in the early chapters of *The Wealth of Nations*.

5. I have argued this point more fully in Campbell (1993b). The same point emerges from the other forms of directly associated labor that Marx describes. That is, the "relations of personal dependence" in feudalism and the traditionally assigned functions of the members of the peasant family are, like the "association of free men," forms of directly common use of the means of production as opposed to their private ownership (CI, pp. 170–171). These ways of using the means of production (or, in other words, of producing) are conceptually muddy. They are sometimes conceived to involve some aspects of private ownership and to exclude others. To avoid confusion, by private ownership of the means of production I mean private ownership in the full sense that applies to market economies, namely, that owners may sell their property, owners decide how the property is to be used (within the limits of such minor restrictions as zoning laws), and owners are entitled to the income that capitalism assigns to the property's use. The justification for treating private ownership in capitalism as private ownership as such is that, in capitalism, private ownership acquires its fullest sense or is least qualified by other principles of association.

6. This may be envisioned either as independent owner-laborers, or, as Marx

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makes clear later in *Capital*, as independent capitalist firms. The difference between the two is irrelevant at this stage of Marx's argument.

7. As Marx puts it, money "provides the form within which . . . contradictory and mutually exclusive conditions . . . have room to move" (CI, p. 198).

8. Hodgson makes the same point. As he observes, "there is a connection . . . between the social institutional character of the concept of property and the social character of the concept of value in the work of Marx . . . .value . . . is seen as a relationship between persons as well as between things" (1988, p. 293). This is in sharp contrast with the neoclassical concept of production. As the law of diminishing returns illustrates, in the neoclassical view, production is the transformation of one set of objects into another. For this reason, its laws have nothing to do with appropriation relations (or, as John Stuart Mill puts it, with "distribution").

9. The passage is quoted in full because Sardoni abbreviates it in various ways. As I will argue, the excluded sections, especially the second, are incompatible with Sardoni's interpretation. In one citation, Sardoni (1991, p. 226) does not even indicate that the second section has been excluded. In another (1997, p. 266), he excludes this same section by quoting a smaller part of the whole passage.

10. Sardoni (1991, p. 226). Sometimes Sardoni interprets Marx to mean that capitalists hoard because they produce for the sake of money profits and expect production to be unprofitable (see Sardoni, 1997, p. 266). In this case, however, hoarding is not the cause of production being unprofitable and there is no reason to make it the focus of Marx's argument, as Sardoni does. Sardoni sees this as evidence for his case only because he tacitly makes the Keynesian assumption that production can be unprofitable only because of hoarding (increased demand for money resulting in an increase in the interest rate); hoarding is then both the cause and the effect of expected low profits.

11. Marx expands on this second case in a second version of the same argument: The circulation of capital may be interrupted "if the instruments of production increase more rapidly than the amount of raw material" (i.e., the shortage of constant capital of the first version) or "as a result of the variable character of harvests" (the increase in the price of grain of the first version) (SVII, p. 533). Thus, here it is very clear that hoarding is not the cause of the interruption in the circulation of capital.

12. Thus, one of the arguments Marx presents against Ricardo's claim that overproduction can be partial but not general is that partial overproduction in leading commodities can result in general overproduction (see SVII, pp. 521–524, 529–535). Keynes, by contrast, appears to accept the "classical" claim that partial overproduction eliminates itself without causing crises. Crises pertain to the macro level and Keynes distinguishes micro from macro by the division between allocation and the level of economic activity as a whole. While Marx's distinction between capital in general and individual capitals can be conceived as a macro/micro division, Marx's argument against Ricardo suggests that he specifies this division differently than Keynes (on Marx's distinction, see Moseley, 1997).

13. These examples are not purely hypothetical. The two great crises Marx discusses in volume III of *Capital* result from the introduction of a new technique in the English textile industry and from harvest failures. The first increases productivity to such an extent that, on one side, demand for cotton from the United States

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rises enormously, and, on the other, the Indian market is flooded with cloth (see Marx, 1894, pp. 220–223). The second causes England to import grain from countries to which it does not normally export (see ibid, p. 535). Both completely disrupt world trade because they change the normal pattern of imports and exports and the corresponding pattern of international credit. Although both involve the credit system, they do not arise from it and neither is caused by hoarding.

14. This is a recurrent theme of the section on crises (see SVII, pp. 500, 502, 505, 509, 513). The explanation given in the text might seem to favor the disproportionality over the falling rate of profit theory of crises. It may be that Marx emphasizes the contradiction between unity and independence in *Theories of Surplus Value, II* because it is appropriate to Ricardo's argument. The private and independent character of social production, however, is the ultimate source of both disproportionality and the falling rate of profit. Marx explains the latter by the technological change that is driven by competition among independently directed capitals.

15. Hoarding and debt precede capitalism but, according to Marx, cannot produce crises in a precapitalist context. ("Simple circulation of money and even the circulation of money as a means of payment—and both come into being long before capitalist production, while there are no crises—are possible and actually take place without crises" [SVII, p. 512].) The simplest reason for this is that exchange of products for money is not the means of associating independent labor activities. The association of labor activities, capitalist or otherwise, involves the allocation of labor in accordance with needs (for both individual and productive consumption). Hence, one of the ways Marx has of referring to the direct association of labor activities is by saying that "needs are known to" the producer, either because he is producing for himself for "the needs of his fellow producers" (SVII, p. 508). Under such circumstances, there can be individual bankruptcies (SVII, p. 503) and hoarding (SVII, p. 528) but no crises.

16. Marx's views on hoarding will be discussed later. For the moment, it may be noted that once Marx takes the credit system into account (CIII), he associates hoarding with its collapse (the collapse of the stock and bond markets and fears about the availability of bank loans). For the most part, Marx portrays the credit system's collapse as the result of disruptions of capitalist reproduction (that is, it has the same cause as the separation of sale and purchase). The one case that figures prominently in Marx's account, in which hoarding itself causes the collapse of the credit system, results from monetary policy, not the dynamic of capital on its own. It occurs when the central bank limits the availability of bank notes to conform to the relation between the quantity of bank notes and the gold reserve stipulated by the Bank Act of 1844, which is one version of the gold standard.

17. As Rotheim says, "Marx's criticism of Classical political economy was that it was a singular, specific theory rather than a general theory" (1991, p. 247). In another passage, he maintains that Keynes, criticizing neoclassical theory, arrived at "the same conclusion which Marx reached in his criticism of Classical political economy: that it only had ontological significance at the point of equilibrium, which in Keynes's case was characterized by full employment" (ibid., p. 255). Thus, Rotheim sees Marx as an earlier version of Keynes's claim that neoclassical (in Keynes's terminology, classical) theory describes only full em-

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ployment, in contrast to which he proposed "a more general theory, which includes the classical theory . . . as a special case" (GT, p. vii).

18. In full, Rotheim states that "Marx perceived the fundamental contradiction to be that the rate of exploitation in production motivated by individual capitalist's impetus to extract as much labour from labour power caused overproduction to be a regular occurence of the capitalist productive process." Thus, that the "interests of the individual capitalists . . . to put the most on the market for the least cost . . . has resulted in a distribution which is in fundamental conflict with the requirements of the renewal of capital . . . .Marx contended that the conditions of production could only be renewed in the aggregate under the Classical schema if it [i.e., renewal] were either merely assumed at the outset or if some grand social contract were constructed which assured that the correct distribution of income was obtained to allow society to be able to afford the products which it has produced" (Rotheim, 1991, p. 246). Included in the evidence Rotheim presents for this view, however, is an argument in which Marx refers to the allocation of labor but which Rotheim takes to refer to the distribution of income (SVII, p. 529, quoted in note 25 below).

19. For this argument, see Rotheim (1991), pp. 250–251, 259.

20. As noted earlier, by private ownership, I mean ownership in the sense that applies to capitalism. Further, I take the private ownership of the means of production to imply their unequal ownership. This argument will be presented later in the text. It follows from the argument that there can be no reason to own the means of production unless such ownership confers entitlement to a profit income, and this is the case only if some members of society do not own means of production. While this argument is often attributed to Marx, it is also made quite elegantly and briefly by Adam Smith (see Smith, 1776, p. 48).

21. This interpretation of the argument of *Capital*, vol. I, is presented in Campbell (1993a). In brief, I argue there that Parts I and II of *Capital* show that the division of society into wage laborers and capitalists is the sufficient condition for the dominance of the commodity form. On this basis, Marx logically derives the former from the latter. Arthur (1997) also interprets the argument structure of *Capital* in this way.

22. This means more precisely that the allocation of labor among different products corresponds to the composition of socially recognized demands.

23. Marx spells this out in connection with his description of an "association of free men" in *Capital* (CI, pp. 171–172). In other words, these are the essential aspects of "working with the means of production held in common" (ibid.). A more compact statement of the same idea follows Marx's claim that Ricardo describes capitalist production "as if [it were directed] according to a plan": meaning "that society . . . distributes its means of production and productive forces in the degree and measure which is required for the fulfillment of the various social needs, so that each sphere of production receives the quota of social capital required to satisfy the corresponding need" (SVII, p. 529). This is the statement that Rotheim takes to refer to income distribution.

24. In addition, Rotheim's special-case interpretation is based on a straightforwardly spectacular misreading of Marx. In the *Contribution*, Marx says that if, in considering *C–M–C*, "the conclusion were to be drawn that only the unity and not

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the separation of purchase and sale exists, this would display a manner of thinking the criticism of which belongs to the sphere of logic and not of economics" (Marx, 1859, p. 96). Marx means that logic, by itself, shows that *C–M–C* involves both unity and independence; that the economic content of *C–M–C* does not have to be taken into account to undermine the assertion of immediate unity. Rotheim, however, interprets Marx to mean that Ricardo's theory (since it asserts unity) "resembled a logical equilibrium system, which abstracted from both time and space" alternatively, that "the 'metaphysical equilibrium of purchase and sale' were figments of a logical, rather than an economic mind" (Rotheim, 1991, pp. 243, 245). Further, as the reference to time indicates, Rotheim takes Marx to be making the Keynesian point that "there is no real time" in classical theory, and that in actuality the economy may always be in the process of moving toward equilibrium (i.e., be in the short run) and never achieve it (never get to the long run).

25. Keynes says: "Classical economics presupposes that the factors of production desire and receive as the reward of their efforts nothing but a predetermined share of the aggregate output" (Keynes, 1979, p. 76). Hence he defines his "cooperative economy" (which, again, is his representation of neoclassical theory) as "a community in which the factors of production are rewarded by dividing up in agreed proportions the actual output of their co-operative efforts" (ibid., p. 77).

26. It is also implicit in the claim that labor bargains for a real wage. This means that labor can equate the marginal disutility of work and the marginal utility of the wage, the point at which they are equivalent being, by definition, full employment. While only laborers can define full employment (since this involves purely subjective factors), its decisions are less significant than those of capitalists, since they determine the volume of employment available.

27. This argument is presented in more detail in Campbell (1993a, 1993b).

28. As noted in passing (see notes 20 and 25), in at least one instance Rotheim takes Marx's reference to the allocation of labor to refer instead to the distribution of income. This might be partly responsible for Rotheim's view that Marx associates money with the latter rather than the former.

29. Oddly, this description appears in Dillard's account of Keynes. More often, Dillard speaks of money as a "special form of private property" (1988, p. 205) and at one point as "abstract private wealth" (ibid., p. 227).

30. The two special properties are money's liquidity premium and its low "carrying cost." The former arises from money's character as general purchasing power; as Dillard puts it, from its being "easier to buy with money than to sell for money" (1988, p. 214). The latter means that money does not deteriorate as much as other goods when it is stored, i.e., that its value is relatively stable. Dillard draws these special characteristics of money from Keynes, but seems to attribute the same explanation to Marx: "From Marx's analysis, money emerges as the universal equivalent of all (other) commodities, the relative values of which are expressed in money.... Money is revealed as a very special form of private wealth, much as it is in Keynes's chapter 17 on "the Essential Properties of Interest and Money" (1988, pp. 220–221).

31. This is Dillard's central thesis, which he repeats in a variety of ways: "the meaning of a monetary theory of production as propounded by Marx, Veblen and Keynes [is] that [money] makes large-scale unemployment all but inevita-

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ble under a system of private ownership of the means of production" (1988, p. 227).

32. "Redefining 'economic' relations" is Derek Sayer's apt characterization of Marx's insight (1987, p. 77). His thesis is that, for Marx, the economic sphere comprises "the totality of social relations, whatever these may be, which make particular forms of production, and thus of property, possible" (ibid.).

33. Dillard (1988) shows especially clearly that Keynes is concerned, even in the 1933 drafts, only with the macroeconomic implications of money. In the *General Theory*, Keynes explicitly states that "So long as we limit ourselves to the study of the individual industry or firm on the assumption that the aggregate quantity of employed resources is constant, and, provisionally that the conditions of other industries or firms are unchanged, it is true that we are not concerned with the significant characteristics of money" (GT, p. 293).

34. Thus, in any other context than commodity production, a producer satisfies "needs that are known to him," either his own or those of his "fellow producers" (SVII, p. 508).

35. For example, "It is by reason of the existence of durable equipment that the economic future is linked to the present" (GT, p. 146). This is why "the state of confidence ... is one of the major factors determining ... the investment demand schedule" (GT, p. 149). Moreover, Keynes does not seem to consider uncertainty to be specifically economic: "Human decisions affecting the future, whether personal or political or economic, cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist" (ibid., p. 163).

36. This aspect of Keynes's theory corresponds to what Marx calls the objectivity of value. In Marx's theory, value is the collective outcome of the production decisions of independent producers, which, "acting with the force of an elemental natural process, prevails over the foresight and calculation of the individual capitalist" (CII, p. 185).

37. "The doctrine that it is a positive virtue on the part of investment institutions to concentrate their resources upon the holding of 'liquid' securities ... forgets that there is no such thing as liquidity of investment for the community as a whole" (GT, p. 155). "These tendencies [toward speculation] are a scarcely avoidable outcome of our having successfully organized 'liquid' investment markets" (GT, p. 159). Finally, the difference between speculation and enterprise (investment based on long-term considerations) is responsible for the divergence between "the investment policy which is socially advantageous [and] that which is most profitable" (GT, p. 157).

38. In some formulations, Keynes combines the two. In his argument that "an individual decision to save does not ... involve the placing of any specific forward order for consumption, but merely the cancellation of a present order" (GT, p. 211), "specific" suggests that production stagnates because the need it is to satisfy is unknown, whereas Keynes's case is really that the future level of demand is unknown.

39. See GT, pp. 229, 294. This is the argument Dillard has in mind when he says: "If it is true that Keynes did not believe it possible to create a nonmonetary economy within the limits of private ownership, his theory of a monetary economy turns out to be a theory of a private property economy" (1948, p. 19).

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40. Much is made of Keynes's claim in the 1933 drafts that money is the goal of business and of his statement in the "Monetary Theory of Production" that money influences motives and decisions. Linking these to Marx, however, fails to take account of the difference between money as a proximate and a final goal. Dillard, for example, maintains that "it is a pure euphemism to say that consumption is the ultimate purpose of production" (1948, p. 27). In addition, he scolds the neoclassicals: "Everyone knows this [that under capitalism the objective of business firms is to make money] but few theories give it conceptual recognition" (1988, p. 213). The conception of money as a proximate goal is not particularly surprising and does not merit special recognition.

41. Foley also makes this point. As he says: "speculation, as a principle of economic behavior different from simple maximization of utility from consumption, plays a role in Keynes's argument analogous to the role capitalist behavior plays in Marx's. Speculation is supposed to introduce an element of private rationality that leads to socially irrational consequences" (1986, p. 446). As Foley argues, Keynes's case is weaker than Marx's. The neoclassicals can undermine it by arguing that "speculation is just a reflection of the drive for utility maximization" so that "well-informed speculation cannot produce socially irrational outcomes" (ibid.).

42. Marx expresses this by saying that "the formation of a hoard as such is never a purpose . . . on the basis of capitalist production" (CII, p. 423), meaning that it is not a final but a proximate goal.

43. See Lapavitsas (1994) and Campbell (1998). Sardoni (1991, pp. 223–226) describes these continuity-promoting hoards in Marx as if Marx and Keynes regarded them in the same way. Keynes's "sinking funds" correspond to Marx's hoards for the turnover of fixed capital (GT, p. 100). Keynes argues that such hoards are the product of overly zealous "financial prudence," while Marx portrays them as the condition for the continuity of capitalist reproduction (ibid.). This illustrates the purely negative impact of hoarding in Keynes's framework.

44. Debt could take the form either of commercial credit between different industrial and merchant capitalists or of lending by money capitalists to industrial and merchant capitalists.

45. It might seem that, by the collapse of the credit into the monetary system, Marx means the collapse of credit money (banknotes) into gold money. This is one of the forms the collapse of the credit system can take under some institutional conditions. Marx's description, however, also applies to very recent forms of the devaluation of debt, such as the replacement of large-scale certificates of deposit by demand deposits. By the collapse of the credit into the monetary system, Marx refers to the same phenomenon as Irving Fisher's interactive debt deflation (Fisher, 1933).

46. As Keynes points out, "hoarding" can occur without an increase in the actual quantity of money held. The quantity of money will not increase if the central bank does not accommodate the increased demand for money, but the rate of interest will rise.

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