A Study of Bailie's Monetary Thought -- Textual Interpretation of 1857-1858 Economic Manuscript Under the Economic Crisis

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Abstract. In the last century, when the European economic crisis happened one after another, Marx realized that he needed to intensify his research on the very important economic phenomenon at the beginning of the revolution. From August 1857 to May 1858, he wrote eight books of notes, which were called "Outline". The first part of the Outline is the Chapter on Money. At the beginning of this part, Marx attacked the incorrect ideas of many economists about money and crisis, and pointed out that people must discover the essence of crisis through the phenomena of currency or financial crisis. One of the economists was Bailey. Based on the analysis of the background of the economic crisis at that time, this paper will sum up Bailey's monetary thought, explore Marx's criticism and inheritance of Bailey's thought and the impact on the economic crisis at that time, and elaborate the important influence of Marx's "Outline".

Keywords: Marx's Outline; Bailey's monetary thought; Economic crisis.

1. Background

The 1850s saw a series of economic crises in Europe and America. Unlike previous crises, the economic storm of 1857 began not in Europe but in the United States. The crisis quickly spread from New York to the rest of the United States and within weeks to world market centers in Europe, South America and the East, becoming the first global financial crisis in history. This information about the crisis processes aroused Marx's great enthusiasm and greatly stimulated his creativity. The summer of 1857 to the spring of 1858 was the most productive period of his life. He tried to write more in a few months than he had ever written before. In December 1857, he wrote to Engels: "I am now frantically staying up all night summarizing my economic studies in order to clear up at least some basic problems before the flood." He also took the opportunity to point out that his prediction that the crisis was inevitable was not particularly ill-founded, because "according to the statement in last Saturday's Economist -- the last months of 1853, the whole of 1854, the fall of 1855, and the period of 'the sudden Turn of 1856', Europe only narrowly escaped the impending crisis "[1].

Marx's work during this period was extraordinary and extensive. From August 1857 to May 1858, he wrote eight notebooks, known as the “Outline”. From October 1857 to February 1858, he also wrote three abstracts entitled "Notes on Crises". Unlike his previous notes, these are not abstracts of the work of economists. They are collected from a number of daily newspapers on crisis trends in Europe, the United States and the rest of the world, stock market trends, trade volatility and important bankruptcies.

In the case of the Outline, in the last week of August, Marx drafted a notebook labeled "M" that he intended as part of the book's Introduction. Then, in mid-October, he ramped up his time to write seven more notes (I -- VI). In the first and part of the second he wrote what is called the Chapter on Money, about money and values, and in the other notebooks he wrote what is called the Chapter on Capital. Here he devotes several hundred pages to the production and circulation of capital, and to some of the most important themes of the entire manuscript, such as the concept of surplus value and the pre-capitalist mode of production of the economy. But Marx did not finish the work, because he realized that he was still a long way from mastering the material.

The contrast between the Outline and Capital is much to be explored, one of which is that the first part of the Outline is the "monetary chapter", while the first part of Capital is the "commodity chapter". Marx's Outline opens with a chapter on money, and Marx focuses particularly on the history and theory of economic crises as he takes a close look at forms of money and credit in order to understand their origins. Unlike other socialists of the day, like Proudhon, who believed that the economic crisis could be averted by reforming the system of money and credit, Marx concluded that because the system of credit was one of the fundamental conditions, the right or wrong use of money circulation could at best aggravate or alleviate the crisis; Instead, the real cause of the crisis should be found in the contradictions of production.

In the Outline, Marx discusses the crisis theory on various occasions, and also talks about the crisis of 1857 and 1858. The Monetary Chapter begins with a sweeping attack on political economists such as Alfred D 'Arimon, who ignored facts that contradicted their theory of the crisis and used them to argue that the crisis could easily have been prevented by a different credit or monetary organisation. The crisis of 1857-1858, as an example of a general monetary crisis, is mentioned twice in the Outline. During this crisis, money as money, in the form of a basic commodity, gold and silver, became essential. Specifically, gold and silver became the only international means of payment. In criticizing Ricardo and his followers, who never understood the real modern crisis, Marx pointed out that one must look beyond the phenomenon of monetary or financial crisis to its core or essence to discover the inevitable and inherent tendency of general overproduction. And this is exactly the real nature of capital relations that Marx's concept of capital emphatically wants to reveal.

In the Outline, the economist Baily is mentioned repeatedly by Marx. In the Complete Works of Marx and Engels, Marx introduced Bailey as follows:

Bailey Samuel (1791-1870), an English bourgeois economist and philosopher, opposed Ricardo's labor theory of value from the standpoint of vulgar economics, and correctly pointed out some contradictions in Ricardo's economic views. [Bailey, Say] "vicissitudes of Money and its Values, and the Effects of Such vicissitudes on National Industry and Monetary Contracts." 1837 London Edition [Bailey,S.] : Money and its vicissitudes in value; as they affect national industry and pecuniary contracts: with a post-script on joint stock banks. Londonl837)

Bailey Semil was born in Sheffield, England, one of 11 children. His father was a cutter and merchant, and Bailey also became a merchant and banker. Bailey spent his life in the service of the Shepherdstown Trust, a quasi-governmental body, and was twice a parliamentary candidate in the Reform elections of 1832 and 1835. He lived all his life in Sheffield, never married, and died there in 1870, writing extensively on banking, politics and philosophy. Bailey was an English bourgeois economist and philosopher who opposed Ricardo's labor theory of VALUE from the standpoint of vulgar economics, while also correctly pointing out some contradictions in Ricardo's economic views in his work *MONEY AND ITS VICISSITUDES IN VALUE* is cited repeatedly by Marx in the Outline.

According to Marx's summary, the study of Bailey's thoughts in the Outline includes the following five aspects: three provisions of money; Counting money; Money as a measure requires not a fixed value but a quantity; Equivalents and precious metals as guarantors of money, etc.

2. Bailey's idea of money

2.1 There are 10 excerpts from Marx's Outline about Bailey's work Money and Its Changes in Value:

Money is in the first place the universally marketable commodity, or that in which everyone deals for the purpose of procuring other commodities.[2]

Money then is the medium of interchanging commodities, or, if a new term may be hazarded, it is the great medial commodity.[3]

From the circumstance of money being the general medial commodity, or that which is employed to procure other commodities in the market, it naturally becomes the general commodity of contract, or that in which the majority of bargains about property, to be completed at a future time, are made.[4]

From the circumstance of money being the general medial commodity, it not only becomes the general commodity of contract, but also the measure of value.……Now, as all articles are exchanged for money, the mutual values of A and B are necessarily shown by their values in money or their prices.……as the comparative weights of substances are seen by their weights in relation to water, or their specific gravities.[5]

The first essential requisite is that money should be uniform in its physical qualities, so that equal quantities of it should be so far identical as to present no ground for preferring one to the other.……Hence, grain or cattle of any kind, if no other objection attached to them, would be inconvenient medial commodities, because equal quantities of grain and equal numbers of cattle are not always alike in the qualities for which they are preferred.[6]

This steadiness of value, so desirable in money as a medial commodity and a commodity of contract, is quite unessential to it in its capacity of the measure of value.[7]

Money may continually vary in value, and yet be as good a measure of value as if it remained perfectly stationary. Suppose, for example, it is reduced in value, and, as a reduction in value implies a reduction of value in relation to some one or more commodities, suppose it is reduced in value in relation to corn and labour. Before the reduction, a guinea would purchase three bushels of wheat or six days labour; subsequently, it would purchase only two bushels of wheat or four days labour. In both these cases, the relations of wheat and labour to money being given, their mutual relations can be inferred; in other words, we can ascertain that a bushel of wheat is worth two days' labour. This, which is all that measuring value implies, is as readily done after the reduction as before. The excellence of any thing as a measure of value is altogether independent of its own variableness in value.……It is probable that this doctrine, of the necessity of invariableness of value to make money a perfect measure of value, has partly arisen from confounding invariableness of value with invariableness in fineness and weight.……The command of quantity being that which constitutes value, a definite quantity of some uniform commodity must be used as a unit to measure value; and it is this definite quantity of a substance of uniform quality which must be invariable.[8]

It is true, that contracts may be made which shall have reference to the value of gold or silver, as well as to its quantity: and in some cases, very properly.[9]

For if any one insists that it is a contract for a certain value, he is bound to show in relation to what commodity this value is to be, and then the matter would be reduced into a bargain for a quantity of that commodity: thus, he would be maintaining that a pecuniary contract does not relate to a quantity of money as expressed on the faceof it, but to a quantity of some commodity of which no mention is made.[10]

In the preceding remarks, those pecuniary bargains alone have been spoken of in which money is the only commodity concerned, but it is obvious that all stipulations for the future payment of money, whether for articles of any kind sold on credit, or for services, or as rent of land or houses, are precisely in the same condition as pure loans of the medial commodity. If A. sells a ton of iron to B. for ten pounds, at twelve months' credit, it is just the same in effect as lending the ten pounds for a year, and the interests of the two contracting parties will be affected by changes in the currency, in exactly the same manner, and to the same extent, in both cases.[11]

2.2 Marx summed up Bailey's monetary thought from the following five aspects:

(1) Three rules of currency.

In his book Money and Its Changes in Value, and the Effect of Such Changes on National Industry and the Contract of Money, Bailey begins with three summaries of the nature and function of money:

First of all, money is a commodity in general circulation, or a commodity that is traded by everyone in order to obtain other goods.

Since money is a general commodity, or a commodity used to buy other goods in the market, it naturally becomes the general commodity of the contract, or of the bulk of the bargaining over property to be done in the future.

From the perspective of money as a general commodity, it not only becomes the general commodity of contract, but also becomes the measure of value.

(2) Calculate money

(3) Money as a measure requires not a fixed value, but merely a quantity.

At the heart of Bailey's argument is his definition of value as ultimate "respect" or "spiritual affection." However, a "sense of specific value" only emerges when the item is subject to preference or exchange. This defines value as relative, rather than something intrinsic like labor in Ricardian theory. Value is the amount of one good in exchange for another; It is measured in terms of a third commodity exchanged, if not directly. From this perspective, Bailey attacks Ricardo's assumption that labor determines value.

Bailey's "Money and its Changes in Value" (1837) accurately follows the Ricardian line in distinguishing and evaluating changes in "money value" arising from circumstances that affect only money and those that affect only goods. For example, an increase in general productivity unrelated to precious metals, in which case "the price of other goods must necessarily fall as the facilities for supplying them increase" (Bailey, 1837, p. 17).

(4) Equivalents

(5) Precious metals as guarantors of currency. In the course of his discussion on "the effect of changes in the value of metal money on money contracts", Bailey stated: In the case of money loans, four kinds of changes may occur that affect both parties to the contract:

The value of money relative to other commodities may rise as a result of changes in the market, which are caused by the money itself.

It may be devalued for similar reasons.

Its value may be increased by changes in other common property parties.

It may be devalued by such a change.

3. Marx's criticism of Bailey's monetary thought

Marx's critique of Bailey is rarely discussed in depth, although there are five references to Bailey in subsequent editions of the first chapter of Capital, which is more than any other thinker except Marx. Marx described Bailey as a "fool", and his Critical Treatises were "worthless except for the definition of measure", a view that was also appealed to by Bailey's repetitive style and the slack in his arguments.

The theory of value put forward by Marx in Capital has always been the subject of controversy. The good thing about Marx's critique of Bailey is that he clarifies the strengths and weaknesses of Marx's interpretation of value. Exploring the relationship between exchange values and values by examining Marx's critique of Bailey does not diminish the importance of these parts of Chapter 1. Marx's critique of Bailey, depending on its form, can even provide a degree of support. Marx traces Bailey's concept of value from the initial context of Commodity Exchange to the overall category, a critique that appears in the 26-page manuscript, providing a general overview of the connection between value as a form of commodity, money and capital that is impossible within the scope of Chapter one. Although rooted in different texts, the argument is generally consistent with Marx's account of "systematic dialectics".

Marx saw Bailey's work at least as early as the summer of 1845, during a brief stay in Manchester. The first evidence of his reading of Bailey is his transcription, almost unannotated, of part of Chapter 8 of Bailey's Money and the Vicissitudes of its Value (1837). This notebook was the source for all of Marx's subsequent references to money, mainly in the Grundrichnia of Political Economy, the Texts of 1858, and Capital. More important is Bailey's other major work, The Critical Treatise on the Nature, Measure, and Causes of Values (1825), and one can infer from the references to the Critical Treatise in 1859-60 that Marx was also reading and taking note of this earlier work at that time.

4. Bailey's positive influence on Marx

If what we have seen so far is the negative impact of Bailey's position on Marx's approach to value, it is time to turn to the positive. One of the positive aspects of Marx's critique of Bailey concerns money. A preliminary starting point can be found in the comments below:

"But if he [Bailey] had analysed money as a 'measure of value', not just a quantitative measure but a qualitative change in a commodity, he would have come up with a correct analysis of value. On the contrary, he was content to consider only superficial external "measures of value".

In other words, Bailey's failure to arrive at a correct, intrinsic concept of value would prevent him from fully understanding money. Bailey's discussion of the functions of money and their interrelationships can be found in the first chapter of Money. Bailey begins his book by pointing out that money is "first and foremost" a tool that everyone uses to transact, which he calls an "intermediate commodity". Bailey does not attempt to make an argument out of it that money is a technical necessity, but rather presents it as a given fact or "circumstance". According to the Critical Treatise, value is measured by establishing "the interrelation between two goods and their interrelation with a third good."

While one might admit that Bailey was able to describe the functions that money performs, noting the beneficial effects of those functions on production and exchange, and recognizing that, because of certain physical properties, a particular commodity -- gold -- was particularly suited to the role of money commodity, Marx argued that Bailey could not say what was an expression of money, So it doesn't explain why it exists. If this is true, if Marx's values can provide such an explanation, people will find a way to show the superiority of Marx's values. Bailey is vulnerable here, as can be seen in his poor treatment of the relationship between the different functions of money.

It must be emphasized that this absence is supported by Bailey's explanation of value as a Commodity Exchange relationship. Since exchange concerns two goods, value can be further defined as the relationship between two goods. Any such exchange would look like this: Suppose that at some time in the past, the value of goods was determined by the amount of labor required to produce them, that A and B were the only exchangeable goods that existed, and that they were of equal value. Marx rejected Bailey's ideas, insisting that the system of Commodity Exchange could not be expressed in terms of the exchange of two goods. The exchange of goods presupposes the division of labor between private but materially dependent units. If one thinks, on the contrary, that there are only two products of labor, "these products will never be commodities," because a large part of the product will be consumed by the direct producer, this situation does not adequately express value, because value exists in a particular form, and does not yet demonstrate that it is a universal aspect "common to all goods." Of course, Within the framework of Bailey's concept of value, the value relationship can be determined simply by pointing out the remaining exchange parts of products A and B. The point to grasp is that Bailey can't move from such a concept of value to explaining the need for money. Bailey's conceptual inadequacy with money was not only consistent with his values, it was encouraged by him.

5. Marx's Analysis of the role of money in economic crisis

According to Marx's plan of 1857-58, his critique of political economy should conclude with two treatises (or books) on world markets and their crises. Throughout the manuscripts of 1857-1858, we find Marx's theoretical and historical comments, sometimes interjections, on the modern crisis. According to Marx, the theory of crisis must be systematically established, that is, from the most fundamental possibility of crisis inherent in the form of exchange to the characteristic and tendency of general overproduction and accumulation inherent in the capitalist mode of production. Marx was clearly impressed by the events of the great crisis -- not only did he make several references to the current and recent crises, but he also made several direct references to the actual crisis of 1857-1858. In the unfinished first chapter, Chapter on Money, Marx has already described and analyzed the problems of the moment of monetary crisis that recur in various modern crises. In the context of his theory of money, a theory that plans to include money in general and a fully developed monetary system in the most advanced modern capitalism, the monetary crisis is important because the monetary crisis shows that money as money (in Marx's systematic exposition of the form and function of money in general, This is the third essential feature of money) the relevance and even reality of this specific category. In times of "general crisis", money in its real form or commodity form, that is, gold and silver, is the only universally accepted form of money, especially in international circulation, where only gold and silver are acceptable as direct and final forms of payment and general representations of wealth. The fact that only real (or commodity) money is an effective form of payment in any (international) currency crisis shows that money as money is a real economic category even in the credit economy of the most highly developed capitalist world. It was only because of the regular continuation of the monetary crises of 1825, 1839, 1847, and 1857 that political economists recognized the importance of money as money. As happens in any currency crisis, the sudden return to monetary regimes created the illusion that a lack of money (or an abundance of credit) was the real cause of the currency crisis.

6. Conclusion

So far, the Outline has been written for 150 years. Today, it testifies to Marx's enduring power to explain the contemporary world. It combines an overview of the historical role of capitalism, which has created more advanced and international societies than any before it, with a critique of its inherent contradictions. Contrary to predictions that he had been forgotten after 1989, Marx has become a subject of renewed interest in recent years, with the current international financial crisis rediscovering the urgency of his time. If so, the precious manuscript known as the Outline will prove useful for further criticism of capitalism. It will also rekindle people's faith and hope in the cause of human liberation that Marx knew he was dedicating himself to when he wrote it.

References

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