4. THE PRECIOUS METALS

At first the process of bourgeois production takes possession of metallic currency as an existing and ready-made instrument, which, although it has been gradually reorganised, in its basic structure has nevertheless been retained. The question why gold and silver, and not other commodities, are used as the material of money lies outside the confines of the bourgeois system. We shall therefore do no more than summarise the most important aspects.

Because universal labour-time itself can only display quantitative differences, the object to be recognised as its specific embodiment must be able to express purely quantitative differences, thus presupposing identical, homogeneous quality. This is the first condition that has to be fulfilled if a commodity is to function as a measure of value. If, for instance, one evaluates all commodities in terms of oxen, hides, corn, etc., one has in fact to measure them in ideal average oxen, average hides, etc., since there are qualitative differences between one ox and another, one lot of corn and another, one hide and another. Gold and silver, on the other hand, as simple substances are always uniform and consequently equal quantities of them have equal values. [1] Another condition that has to be fulfilled by the commodity which is to serve as universal equivalent and that follows directly from its function of representing purely quantitative differences, is its divisibility into any desired number of parts and the possibility of combining these again, so that money of account can be represented in palpable form too. Gold and silver possess these qualities to an exceptional degree.

As means of circulation gold and silver have an advantage over other commodities in that their high specific gravity – representing considerable weight in a relatively small space – is matched by their economic specific gravity, in containing much labour-time, i.e., considerable exchange-value, in a relatively small volume. This facilitates transport, transfer from one hand to another, from one country to another, enabling gold and silver suddenly to appear and just as suddenly to disappear – in short these qualities impart physical mobility, the *sine qua non* of the commodity that is to serve as the *perpetuum mobile* of the process of circulation.

The high specific value of precious metals, their durability, relative indestructibility, the fact that they do not oxidise when exposed to the air and that gold in particular is insoluble in acids other than *aqua regia* – all these physical properties make precious metals the natural material for hoarding.

Peter Martyr, who was apparently a great lover of chocolate, remarks, therefore, of the sacks of cocoa which in Mexico served as a sort of money.

> "Blessed money which furnishes mankind with a sweet and nutritious beverage and protects its innocent possessors from the infernal disease of avarice, since it cannot be long hoarded, nor hidden underground!" (*De orbe novo* [Alcala, 1530, dec. 5, cap. 4].24)

Metals in general owe their great importance in the direct process of production to their use as instruments of production. Gold and silver, quite apart from their scarcity, cannot be utilised in this way because, compared with iron and even with copper (in the hardened state in which the ancients used it), they are very soft and, therefore, to a large extent lack the quality on which the use:value of metals in general depends. Just as the precious metals are useless in the direct process of production, so they appear to be unnecessary as means of subsistence, i.e., as articles of consumption. Any quantity of them can thus be placed at will within the social process of circulation without impairing production and consumption as such. Their individual use-value does not conflict with their economic function. Gold and silver, on the other hand, are not only negatively superfluous i.e., dispensable objects, but their aesthetic qualities make them the natural material for pomp, ornament, glamour, the requirements of festive occasions, in short, the positive expression of supra abundance and wealth. They appear, so to speak, as solidified light raised from a subterranean world, since all the rays of light in their original composition are reflected by silver, while red alone, the colour of the highest potency, is reflected by gold. Sense of colour, moreover, is the most popular form of aesthetic perception in general. The etymological connection between the names of precious metals and references to colour in various Indo-European languages has been demonstrated by Jakob Grimm (see his *History of the German Language*).

Finally the fact that it is possible to transform gold and silver from coin into bullion, from bullion into articles of luxury and vice versa, the advantage they have over other commodities of not being confined to the particular useful form they have once been given makes them the natural material for money, which must constantly change from one form into another.

Nature no more produces money than it does bankers or a rate of exchange. But since in bourgeois production, wealth as a fetish must be crystallised in a particular substance, gold and silver are its appropriate embodiment. Gold and silver are not by nature money, but money consists by its nature of gold and silver. Gold or silver as crystallisation of money is, on the one hand, not only the product of the circulation process but actually its sole stable product; gold and silver are, on the other hand, finished primary products, and they directly represent both these aspects, which are not distinguished by specific forms. The universal product of the social process, or the social process itself considered as

a product, is a particular natural product, a metal, which is contained in the earth's crust and can be dug up. [2]

We have seen that gold and silver cannot comply with the demand that as money they should have an invariable value. Their value is nevertheless more stable than that of other commodities on the average, as even Aristotle noted. Apart from the general effect of an appreciation or depreciation of the precious metals, variations in the relative value of gold and silver are of particular importance, since both are used side by side as monetary material on the world market. The purely economic reasons of such changes in value – conquests and other political upheavals, which exerted a substantial influence on the value of metals in antiquity, have merely a local and temporary effect – must be attributed to changes in the labour-time required for the production of these metals. This labour-time itself will depend on the relative scarcity of natural deposits and the difficulties involved in procuring them in a purely metallic state. Gold is in fact the first metal that man discovered. On the one hand, it occurs in nature in pure crystalline form, as a separate substance not chemically combined with other substances, or in a virgin state, as the alchemists said; on the other hand, nature herself performs the technical work by washing gold on a large scale in rivers. Only the crudest labour is required on the part of man for extracting gold either from rivers or from alluvial deposits; whereas production of silver requires mining and in general a relatively high level of technical development. The value of silver is therefore originally higher than that of gold, although it is absolutely less scarce. Strabo's statement that an Arabian tribe gave ten pounds of gold for one pound of iron, and two pounds of gold for one pound of silver, is by no means incredible. But the value of silver tends to fall in relation to that of gold, as the productive powers of social labour develop and consequently the product of simple labour becomes more expensive compared with that of complex labour, and with the earth's crust being increasingly opened up the original surface-sources of gold are liable to be exhausted. Finally, at a given stage of development of technology and of the means of communication, the discovery of new territories containing gold or silver plays an important role. The ratio of gold to silver in ancient Asia was 6 to 1 or 8 to 1; the latter ratio was prevalent in China and Japan even in the early nineteenth century; 10 to 1, the ratio obtaining in Xenophon's time, can be regarded as the average ratio of the middle period of antiquity. The working of the Spanish silver mines by Carthage and later by Rome exerted a rather similar influence on the ancient world to that of the discovery of the American mines on modern Europe. During the era of the Roman emperors, 15 or 16 to 1 can be taken as the rough average, although the value of silver in Rome often sank even lower. During the following period reaching from the Middle Ages to modern times, a similar movement which begins with a relative depreciation of gold and ends with a fall in the value of silver takes place. The average ratio in the Middle Ages, as in

Xenophon's time, was 10 to l, and as a result of the discovery of mines in America the ratio once again becomes 16 or 15 to 1. The discovery of gold in Australia, California and Colombia will probably lead to another fall in the value of gold. [3]

FOOTNOTES

[1.] “A peculiar feature of metals is that in them alone all relations are reduced to a single one, that is their quantity, for by nature they are not distinguished by differences in quality either in their internal composition or in their external form and structure” (Galiani, op. cit., pp. 126-27).

[2.] In the year 760 a crowd of poor people turned out to wash gold from the sand of the river south of Prague, and three men were able in a day to extract a mark [half a pound] of gold; and so great was the consequent rush to "the diggings" and the number of hands attracted from agriculture so great, that in the next year the country was visited by famine. (See M. G. Korner, *Abhandlung von dem Alterthum des böhmischen Bergwerks*, Schneeberg, 1758 [p. 37 seq.].)

[3.] The relative value of gold and silver up to now has not been affected by the Australian and other discoveries. Michel Chevalier's contention that the opposite is the case is worth no more than the socialism of this ex-St.-Simonist. Quotations on the London market show, indeed, that between 1810 and 1858 the average price of silver in terms of gold was nearly 3 per cent higher than in the period between 1830 and 1850; but this rise was simply due to the demand of Asian countries for silver. Silver prices between 1852 and 1858 change in different years and months solely in accordance with this demand and by no means in accordance with the supply of gold from the newly discovered sources.

Price of an Ounce of Silver:

Year	1852	Macrh	$60^{1}/_{8}$	pence	July	$60^{1}/_{4}$	pence	November $61^{7}/_{8}$ pence
„	1853	„	$61^{3}/_{8}$	„	„	$61^{1}/_{2}$	„	„ $61^{7}/_{8}$ „
„	1854	„	$61^{7}/_{8}$	„	„	$61^{3}/_{4}$	„	„ $61^{1}/_{2}$ „
„	1855	„	$60^{7}/_{8}$	„	„	$61^{1}/_{2}$	„	„ $60^{7}/_{8}$ „
„	1856	„	60	„	„	$61^{1}/_{4}$	„	„ $62^{1}/_{8}$ „
„	1857	„	$61^{3}/_{4}$	„	„	$61^{5}/_{8}$	„	„ $61^{1}/_{2}$ „
„	1858	„	$61^{5}/_{8}$	„	„	—	—	„ — —