

The Divergence and the Monetary Form: 1929–1971

A Strict Marxian Narrative

Introduction

The period from 1929 to 1971 is the most mystified in the history of political economy. Economists treat the Great Depression as a policy failure, Bretton Woods as a golden age, and 1971 as a rupture. Marxists treat the Depression as underconsumption, Bretton Woods as a class compromise, and 1971 as the beginning of neoliberalism. Both treat the monetary form as autonomous from the value-form. Both treat the state as an external actor. Both treat the dollar as a new form of money.

This essay proceeds from a different premise. It reads the period strictly through Marx's labor theory of value. Labor-power is the only commodity of concern. Its value is determined by the labor-time socially necessary to reproduce the worker. The wage is the monetary expression of this value. As productivity rises, the labor-time socially necessary to produce commodities falls. But capital requires surplus labor for accumulation. The two quantities diverge. Credit expansion is the attempt to bridge the divergence. The failure of credit management is the form in which the divergence reasserts itself. The state's intervention in the monetary form is the response to that failure. The post-1971 order is the specific form determined by the mode of that failure.

The narrative begins with the divergence and ends with the dollar standard. It is not a story of policy failures and institutional accidents. It is the story of the value-form's attempt to manage its own contradiction.

I. The Divergence Becomes Acute

The productive forces develop across the advanced industrial countries through the late nineteenth and early twentieth centuries. The labor-time socially necessary to produce commodities falls. This is the tendency of capital: competition compels each individual capital to reduce the labor-time required to produce a commodity. The capitalist who introduces more productive machinery can produce commodities with less labor-time than competitors.

But capital does not merely require commodities to be produced. Capital requires surplus labor for accumulation. Surplus value is produced by labor performed beyond the labor-time socially necessary to reproduce the worker. The same development of the productive forces that reduces the labor-time socially necessary to produce commodities increases the surplus labor required for accumulation.

The two quantities diverge. This is not a contradiction between two measures of necessity. It is a contradiction within the value-form itself. The divergence is the form in which the contradiction appears.

By the 1920s, the divergence has become acute across the advanced industrial countries simultaneously. This is not a national phenomenon. The world market integrates the leading capitalist countries. The law of value asserts itself on a world scale. The productive forces develop unevenly but generally across the capitalist core. The divergence is a structural feature of developed capitalism.

II. Credit Expansion Attempts to Bridge the Divergence

Capital cannot abolish the divergence. It can only manage it. The primary means of management is the expansion of credit.

The credit system develops out of the function of money as a means of payment. It creates claims on future surplus value. It allows production to continue even when commodities cannot be sold at prices that realize their surplus-value. It allows labor-time that is no longer socially necessary for commodity production to be treated as if it were socially necessary for accumulation.

Credit expands throughout the 1920s. The credit system creates a system of claims on future surplus value that exceed the current mass of value. This is the ever-increasing divergence between credit and commodity money. The credit system is not a deviation from the value-form. It is the value-form's attempt to overcome the divergence. It is the form in which capital tries to bridge the gap between the value produced and the surplus value required for accumulation.

III. Credit Management Fails Systemically

The attempt fails. In 1929, the credit system collapses. Fictitious claims are destroyed. Production contracts. Gold is demanded.

This is not a policy failure. It is the money crisis that Marx describes in *A Contribution to the Critique of Political Economy*: the sudden reversion from a system of credit to a system of hard cash. Money suddenly reappears not as a medium of circulation, but as the only adequate form of exchange value, as the only form of wealth, exactly as it is looked upon by the hoarder. The credit system cannot bridge the divergence. It can only postpone the reassertion of the law of value.

The Great Depression is the systemic failure of credit management. The divergence has grown too large. Credit cannot bridge it. The value relation reasserts itself violently.

But the crisis is compounded by the gold standard. The gold standard locks countries into deflation. They cannot expand credit or devalue without losing gold reserves. The gold standard itself becomes an obstacle to recovery. The monetary form through which the divergence was managed — commodity money, gold — has become a fetter on the management of the divergence. The state must intervene directly in the monetary form.

IV. Gold Is Forced from Circulation Nationally

Country by country, the leading capitalist states abandon the gold standard. Britain abandons it in 1931. The United States suspends domestic convertibility in 1933, prohibits private gold holdings by Executive Order 6102, and devalues the dollar against gold. France abandons the gold bloc in 1936. Other countries follow at different times.

This is not a series of isolated policy decisions. It is the same event occurring in different national contexts. The divergence has become acute across the advanced industrial countries. Credit management has failed. The state intervenes in the monetary form. Gold is forced from circulation.

The state does not abolish the value relation. It reorganizes the monetary form. It changes the standard of price. It manages the divergence between credit and commodity money. But it cannot abolish the divergence itself.

The national demonetization of gold is the first rupture. It is the state's most direct intervention in the monetary form. It is the form in which the state manages the divergence when credit management can no longer sustain it.

V. The Fragmented 1930s

The national demonetization of gold does not produce a new international monetary order. It produces fragmentation. Competitive devaluations, trade blocs, capital controls, autarky. The world market fragments.

The divergence persists. The underlying contradiction is not resolved. It is merely managed nationally. The fragmentation is the form in which the divergence appears when no international monetary order exists.

VI. Bretton Woods as Attempted Fix

Bretton Woods, established in 1944, is the attempt to reconstruct a managed monetary system that prevents the fragmentation while accommodating the divergence.

The dollar is pegged to gold at \$35 per ounce. Other currencies are pegged to the dollar. The IMF manages payments imbalances. Capital controls allow national monetary autonomy. The U.S. provides liquidity to the world by running deficits.

The logic of the fix is to reconcile credit expansion with a stable monetary anchor. The dollar is the primary reserve asset and means of payment. The U.S. provides liquidity to the world by running deficits. The system attempts to manage the divergence through institutional forms.

Bretton Woods is the most developed attempt to manage the divergence through institutional forms. It does not resolve the divergence. It manages it. It is not a golden age. It is a fix.

VII. The Fix Fails

The fix fails because it does not resolve the divergence. It only manages it.

Credit expansion continues after 1944. The claims on future surplus value exceed the gold that could validate them. The U.S. runs persistent deficits to provide liquidity. But running deficits undermines confidence in the dollar's convertibility to gold. Foreign central banks accumulate dollars. Dollar liabilities exceed U.S. gold reserves.

This is the Triffin dilemma, but it is not merely a technical problem of liquidity. It is the form in which the divergence appears in the international monetary system. The credit system expands. The claims on future surplus value grow. The gold that could validate them does not. The system cannot reconcile the two.

The surplus countries refuse to adjust. Germany, Japan, and others accumulate dollars rather than revalue their currencies. The U.S. refuses to deflate, devalue, or impose capital controls. Capital controls erode. The post-war order moves toward free capital mobility. The institutional framework becomes unsustainable.

By 1971, the system is unsustainable. Nixon closes the gold window. Gold is forced from circulation internationally. Bretton Woods collapses.

The failure of Bretton Woods is the demonstration that the divergence cannot be managed within the value-form. The state must manage the monetary form directly, without a formal gold anchor.

VIII. The Mode of Failure Determines the Post-1971 Order

The mode of Bretton Woods' failure determines the shape of the post-1971 order. This is not a rupture. It is the culmination of a process that began in 1929.

The dollar remains the unit of account and means of payment even after convertibility is suspended. The gold link is severed, but the dollar's role is not. The U.S. refuses to adjust. The surplus countries refuse to revalue. The institutional forms persist. Capital controls are dismantled rather than strengthened.

The post-1971 order is not a gold standard. It is not a multi-polar currency system. It is not a new international monetary order. It is the dollar standard: the specific form in which the U.S. state manages the monetary form on a global scale.

The dollar remains a token of gold. But it is a token of gold that has become systematically inadequate to its function. The divergence between credit and commodity money is the

divergence between the dollar's nominal claims and the gold it represents. The state intervenes to manage this divergence, but it cannot abolish the token's relation to gold.

IX. Theoretical Summary

The sequence is:

Text

Divergence develops in several advanced industrial countries simultaneously

→ Credit expansion attempts to bridge the divergence

→ Credit management fails systemically (1929–1933)

→ Gold is forced from circulation nationally (1931, 1933, 1936)

→ Bretton Woods attempts to reconstruct a managed system (1944)

→ The fix fails because the divergence is not resolved (1944–1971)

→ Gold is forced from circulation internationally (1971)

→ State management of the monetary form without a formal gold anchor (post-1971)

The form of the sequence is derivable from Marx's categories: the divergence, credit expansion, failure, state intervention, demonetization of gold, state management of the monetary form. The content — the specific timing, countries, policies, and institutional forms — is a historical determination.

The post-1971 order is the dollar standard: the specific form in which the U.S. state manages the monetary form on a global scale. This is determined by the mode of Bretton Woods' failure. The mode of failure is not accidental. It is constitutive.

X. Against the Myths

This narrative dissolves the myths that shroud the period.

Against the economists: The Great Depression was not a policy failure. It was the systemic failure of credit management. Bretton Woods was not a golden age. It was an attempted fix. 1971 was not a technical adjustment. It was the culmination of a process that began in 1929. The dollar standard is not a fiat system. It is the specific form in which the U.S. state manages the monetary form.

Against the Marxists: The Great Depression was not caused by underconsumption. It was the failure of credit management to bridge the divergence. Bretton Woods was not a class compromise. It was the attempted fix. 1971 was not the beginning of neoliberalism. It was

the final stage of the demonetization of gold. The dollar's role is not explained by imperialism. It is explained by the hierarchy of national capitals.

The common structure of the myths is the refusal to derive the monetary form from the value-form. The strict reading dissolves the myths by deriving the monetary form from the divergence. The monetary form is the form of appearance of the divergence. The state is the form in which the divergence is managed. The dollar is the token of gold that has become inadequate. 1971 is the culmination, not the beginning.

Conclusion

The period 1929–1971 is the period when the divergence became acute, when credit management failed systemically, when gold was forced from circulation nationally, when Bretton Woods attempted to reconstruct a managed system, when the fix failed, and when gold was forced from circulation internationally.

1971 is the culmination, not the rupture. The rupture is the Great Depression. The post-1971 order is the dollar standard: the specific form in which the U.S. state manages the monetary form on a global scale.

This is the narrative. It is derived from Marx's labor theory of value. It does not import categories from outside Marx. It uses Marx's method: derive the contradiction in the abstract, demonstrate it through the historical case, and show how the specific mode of failure determines what follows.

The task is to develop this narrative. The myths must be dissolved. The superstitions must be dispelled. The period must be read strictly through Marx's labor theory of value.