



# **Capitalism, financial system and forms of exploitation**

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# 1. Introduction: Finance and usury

- In the theoretical space, referring to Marx's work, a trend has been developed that understands the financial system and its functions as 'financial expropriation'..
- Financialization is perceived as the subordination of industrial investment to speculation and income expropriation.
- A consequence of this line of reasoning is that the finance is identified with usury.

## 2. Usual Readings of the Marxian formula of circuit of capital $M-M-C-M'-M''$

- Profitability in capitalism can be derived through two distinctive routes:
  - – a productive one ( $M-C-M'$ , where  $M$  stands for money,  $C$  for commodities and  $M' = M + \Delta M$ ), and
  - – a parasitic or speculative one ( $M-M''$ , with  $M'' = \Delta M'$ )
- Circulation becomes the principal means of absorbing profit previously generated by production; all this would cause stagnation and instability in production of use values.

### 3. Credit system and capitalism

- “The credit system develops as a reaction against usury. But this should not be misconstrued, ..... It means neither more nor less than the subordination of interest-bearing capital to the conditions and requirements of the capitalist mode of production. In the modern credit system, interest-bearing capital becomes adapted on the whole to the conditions of capitalist production” (*Capital, Vol. III: 735*).

## 4. Unity of the ‘spheres’ of production and circulation

- “The money-owner, who is as yet only a capitalist in larval form, must buy his commodities at their value, sell them at their value, and yet at the end of the process withdraw more value from circulation than he threw into it at the beginning. *His emergence as a butterfly must, and yet must not, take place in the sphere of circulation*” (*Capital, Volume I: 269, emphasis added*).

## 5. Capitalist production is the production of surplus-value

- “Capitalist production is *not merely the production of commodities*, it is, by its very essence, *the production of surplus-value*. The worker [...] who is productive is one who produces surplus-value for the capitalist [...]. *The concept of a productive worker therefore implies not merely a relation between the activity of work and its useful effect [...], but also a specifically social relation of production*” (*Capital, Volume I: 644, emphasis added*).

## 6. What is industrial capital?

- “Let us now consider the total movement,  $M-C\dots P\dots C'-M'$ , [...] Here capital appears as a value which goes through a sequence of connected and mutually determined transformations [...] Two of these phases belong in the circulation sphere, one to the sphere of production. [...] *The capital that assumes these forms [...] is industrial capital – industrial here in the sense that it encompasses every branch of production that is pursued on a capitalist basis. [...] Money capital, commodity capital and productive capital thus do not denote independent varieties of capital [...]. They are simply particular functional forms of industrial capital [...]*”  
(*Capital, Volume II*: 132-133, emphasis added).

## 7. Finance as a productive activity

- “However, in so far as circulation itself creates costs, itself requires surplus labour, it appears as itself included within the production process. In this respect circulation appears as a moment of the direct production process” (*Grundrisse*: 524).
- Financial intermediation is a sui generis service itself and is therefore a productive activity striving for profit maximization, like any other sector of the capitalist economy.



## 8. Household sector balance sheets

- Household sector balance sheets have grown significantly (not just indebtedness). This means that *both household debt and assets* have been increased in relation to family incomes.
- Increased indebtedness, based on competition-driven financial innovation, makes room for lower real wages and not vice versa.
- Household financialization is based on the capitalization of both household costs and revenues.
- Wage as a form of fictitious capital: wage flows (wage relations), appear as an asset in the household portfolio.

## Debts appear as commodities

- “The form of interest-bearing capital makes every definite and regular money revenue appear as the interest on a capital, whether it actually derives from a capital or not. [. ..] Let us take the national debt and wages as examples. [. ..] Moving from the capital of the national debt, where a negative quantity appears as capital – interest-bearing capital always being the mother of every insane form, so that debts, for example, can appear as commodities to the mind of the banker – we shall now consider labour-power. Here wages are conceived as interest, and hence labour-power as capital that yields this interest. [...] Here the absurdity of the capitalist’s way of conceiving things reaches its climax, in so far as instead of deriving the valorization of capital from the exploitation of labour-power, they explain the productivity of labour power by declaring that labour-power itself is this mystical thing, interest-bearing capital” (*Capital, Volume III: 595–596*).