



Value, Fictitious Capital and Finance.

The timeliness of Karl Marx's *Capital*

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I-1. Marx's Monetary Theory of Value and Capital

- “The social character of labour appears as the money existence of the commodity” (*Capital* III: 649).
- “Social labour-time exists in these commodities in a latent state, so to speak, and becomes evident only in the course of their exchange” (*A Contribution ...*: 45)

I-2. Value as “abstract expression of capital”

- “The concept of value is entirely peculiar to the most modern economy, since it is the most abstract expression of capital itself and of the production resting on it. In the concept of value, its secret is betrayed” (*Grundrisse*: 776 ff.).
- “Commodities do not assume the form of *direct mutual exchangeability*. Their socially validated form is a mediated one” (MEGA II.5 [*Capital-1867*]: 42).

I-3. Capital as “value in process”

- “The circulation of money leads [...] to capital” (*Grundrisse*: 776).
- “Value therefore now becomes value in process, money in process, and, as such, capital. [...] The circulation of money as capital is [...] an end in itself, for the expansion of value takes place only within this constantly renewed movement” (*Capital* I: 256, 253).

II-1. Money as Capital

- $M \text{---} C (= M_p + L_p) [P] \text{---} C' \text{---} M' (= M + \Delta M)$
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- where M stands for money, C for the input-commodities: means of production (M_p) plus labour power (L_p), C' for the output-commodities of the production process (P), which is finally realized in “more money” (M').

II-2. Circulation as facade of capitalist production

- “The simple circulation is mainly an abstract sphere of the bourgeois overall production process, which manifests itself through its own determinations as a trend, *a mere form of appearance of a deeper process which lies behind it* [...] the industrial capital” (Marx 1980, MEGA II.2, [“Urtext”]: 68-9).

II-3. The unity of production and circulation

- Every capitalist is always at the same time a “trader” or “merchant” (who *buys commodities*, the enterprise’s input: means of production and labour power, *in order to sell commodities*, the produced output) and “manager” of the production process, which makes it possible for trading to be effective: Production-for-exchange-and-profit.

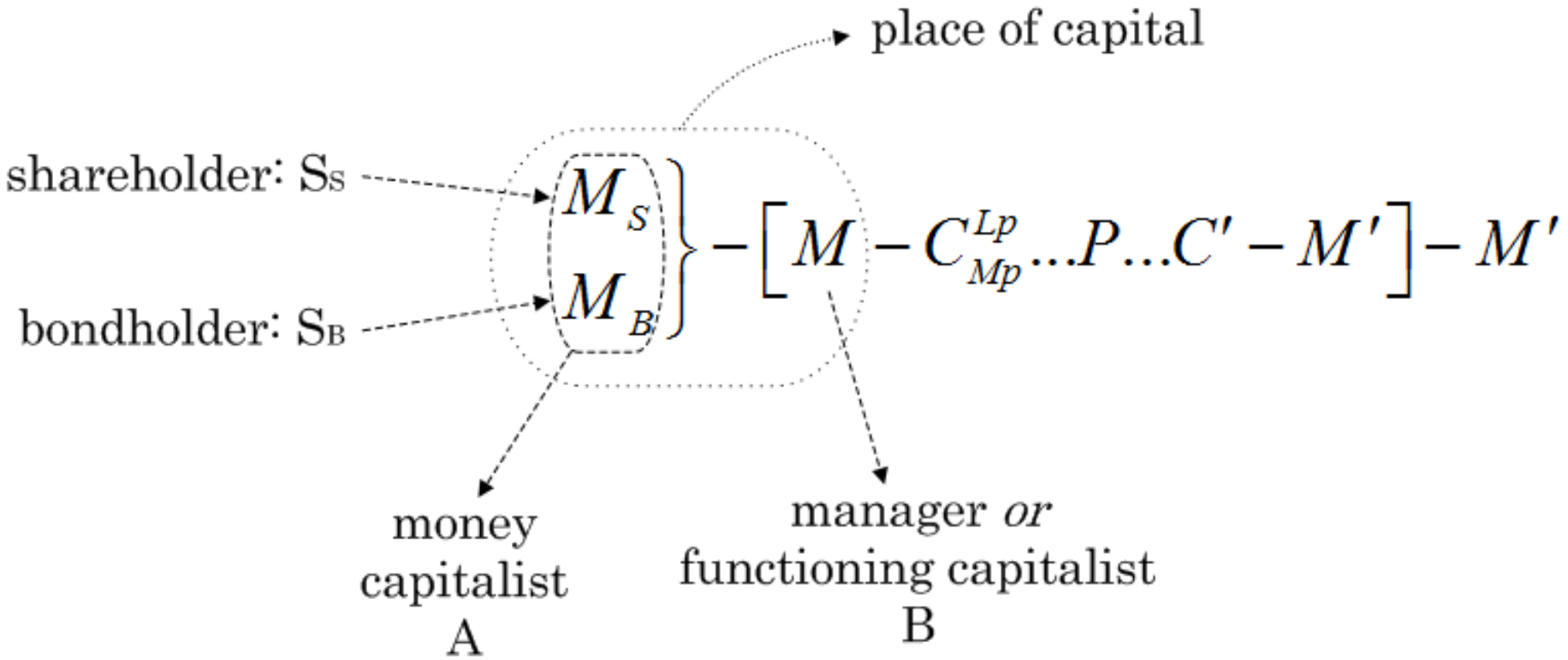
III-1. Productive Labour

- “If we may take an example from outside the sphere of material production, a *schoolmaster* is a *productive worker* when, in addition to *belabouring the heads of his pupils*, he works *himself into the ground to enrich the owner of the school*. That the latter has *laid out his capital in a teaching factory*, instead of a *sausage factory*, makes no difference to the relation” (*Capital* I: 644, emphasis added).

III-2. Circulation and Productive Labour

- “However, in so far as circulation itself creates costs, itself requires surplus labour, it appears as itself included within the production process” (*Capital* III: 524).
- “[...] the specialized worker produces no commodities. It is only the common product of all the specialized workers that becomes a commodity” (*Capital* I: 475).

IV-1. Money capitalist and functioning capitalist



IV-2. The Janus-existence of the capitalist enterprise

- “In the production process, the functioning capitalist represents capital against the wage-labourers as the property of others, and the money capitalist participates in the exploitation of labour as represented by the functioning capitalist” (*Capital* III: 504).

IV-3. Capital as a commodity

- “Capital appears as a mysterious and self-creating source of interest, of its own increase. The thing is now already capital simply as a thing; [. . .]. The social relation is consummated in the relationship of a thing, money, to itself [...] In this capacity of potential capital, as a means of producing profit, it *becomes a commodity*, but a commodity sui generis. Or, what amounts to the same, capital as capital becomes a commodity” (*Capital* III: 516, 459).

IV-4. Fictitious Capital as promise and claim

- “The formation of fictitious capital is known as capitalization. [...] The market value of these securities is partly speculative, since it is determined not just by the actual revenue but rather by the anticipated revenue as reckoned in advance” (*Capital* III: 596-597).

IV-5. Financial Capital: productive “from the standpoint of capital”

- Following Marx, banks, insurance companies, funds, and other forms of financial enterprises are productive, “from the standpoint of capital”:
- “Let us now consider the total movement, $M-C.. .P .. . C' -M'$, [...]. The capital that assumes these forms in the course of its total circuit [...] *is industrial capital – industrial here in the sense that it encompasses every branch of production that is pursued on a capitalist basis. [...]*” (*Capital* II: 132–133).

V-1. The financial existence of capitalism

- “All these securities actually represent nothing but accumulated claims [...] *In all countries of capitalist production, there is a tremendous amount of so-called interest-bearing capital or ‘moneyed capital’ in this form*” (*Capital* III: 599, emphasis added).

V-2. Financialization as expression of the “formal determinations” of capitalism

- Financialization is not a deviation from or a distortion of some “good” industrial capitalism, a “bad” exploitation as opposed to the “good” exploitation by the “productive” industrial capital, but a historic development expressing the *formal determinations* innate in the capitalist mode of production:
- “when we actually examine the social relations of individuals within their economic process, we simply have to adhere to the formal determinations of this process itself” (Marx 1980: “Urtext”, MEGA II.2: 59).

V-2. Financialization as Technology of Power

Finance sets forth a particular technology of power (along with a particular mode of funding economic activities) which is completely in line with the nature of capitalist exploitation. Every capitalist enterprise has a Janus-existence, as production means and as financial securities.

The key role of financial markets is to “monitor” the effectiveness of individual capitals, facilitating within enterprises effective exploitation strategies.

VI-1. Finance and instability

- Financial instruments, engendering new kinds of rationality for the promotion of exploitation strategies based on the total circuit of capital, at the same time downplay risk. The conditions for increase in class domination of capital appear simultaneously as conditions undermining that domination. Contemporary capitalism is caught in this exhausting tension between the need to be “efficient” and the underestimation of risks.
- Massive withdrawal from participation and funding when secure profit seems jeopardized.

VI-2. Finance and the 2008 Crisis

- The 2008 crisis was systemic, in the sense that it has been engendered by the elements and the relations that are at the core of the neoliberal model.
- The blocking of the sphere of finance and credit funding was inevitably interpreted as “involvement” of the expanded reproduction of capital. This led to a fall in profitability and the necessity for cutbacks in production, overaccumulation of capital and the need for a new cycle of restructuring.

VII. The Aftermath of the Crisis

- The new arrangements that were put forward did not question the international character of the financial system, securitization, the deepening of the market, the squeeze on working people.
- The core of the neoliberal dogma remained intact, with the overwhelming correlation of power in favour of capital simply taken as a given, so that labour would continue to be treated as the “flexible” variable.

VIII. Conclusion

- Capitalism was always, and will never cease to be exploitative, domineering, speculative. But it will not disintegrate or decay due to its exploitative, domineering, speculative character, certainly not due to the supposedly specifically “predatory” function of the financial sphere – as opposed to the “productive role of industry”. It will continue to exist until the labouring classes overthrow it. But for this we need a revolutionary political strategy.