Reflexões sobre o sistema de crédito e a economia mundial em *O Capital* de Karl Marx

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Resumo: Este artigo apresenta uma síntese do tratamento teórico que Marx desenvolve em *O Capital* no que se refere aos vínculos entre os processos de acumulação e centralização de capital nas esferas nacional e internacional. Argumenta-se que, apesar de Marx tomar a economia mundial como objeto de análise desde o início d'*O Capital*, ao apresentar as leis de produção, circulação e distribuição de valor, ele assume a concorrência capitalista em uma esfera nacional abstrata. Esse procedimento metodológico permite-o expor a formação de "médias ideais" dentro desta unidade social analítica, tais como valor e preço da força de trabalho (e salários), taxa e massa de mais-valia, nível de desenvolvimento das forças produtivas, composição orgânica do capital, taxa de lucro e taxa de juros. Entretanto, Marx não aponta para uma homogeinização dessas médias sociais internacionalmente e indica que uma possível continuação de seu trabalho seria dedicada em à investigação da competição capitalista no âmbito do mercado mundial. A despeito do caráter incompleto d'*O Capital* e do projeto mais amplo de Marx de *Crítica da Economia Política*, aponta-se neste artigo, a partir de extensivas referências textuais, que há fortes indícios em *O Capital* de que a conexão entre os sistemas de crédito nacionais, baseados em moeda e dívida pública domésticas, e o sistema de crédito internacional, calcado em última instância em dinheiro mundial, tem um papel primordial como conductor do movimento do capital global, que necessariamente se valoriza a partir de condições muito distintas de exploração da força de trabalho nos diferentes países.

Palavras-chave: Valor; sistema de crédito; economia mundial.

Notes on the credit system and the world economy in Marx's *Capital*

Abstract: This article presents a synthesis of Marx's theoretical treatment in *Capital* regarding the *nexus* between the national and international spheres of capital accumulation and centralization. It is argued that, whereas Marx takes the world economy as the object of analysis from the beginning of *Capital*, when presenting the laws of production, circulation and distribution of value, he assumes capitalist competition to take place in an abstract national sphere. This methodological procedure allows him to expose the formation of "ideal averages" within this analytical social unit, such as the value and price of the labour-power (and wages), rate and mass of surplus value, level of development of the productive forces, organic composition of capital, profit rate and interest rate. However, Marx does not suggest a process of homogenization of these social averages internationally and indicates that a possible continuation of his work would be devoted to the investigation of capitalist competition on the world market. In spite of the incompleteness of *Capital* and Marx's broader project on *Critique of Political Economy*, it is argued in this article, provided extensive textual references, that there are strong indications in *Capital* that the connection between national credit systems, based on domestic currency and public debt, and the international credit system, ultimately based on world money, plays a key role as the driver of the global capital movement, which is necessarily valorised in very different conditions of workers' exploitation in different countries.

Keywords: Value; credit-system; world economy.

Notes on the Credit System and the World Economy in Marx's *Capital*

"[…] real money is always world-market money, and credit money always depends on this world-market money[1]".
Karl Marx, 1864-5

1 On the Critique of Political Economy

Business cycles, financial bubbles, monetary policies and world crises became increasingly present in Marx's writings from the 1850's onwards, due mainly to the outbreak of the 1847 crisis and the 1848 revolutions that spread throughout Europe. As a matter of fact, these events set the context for Marx's *systematic* study of political economy and its categories during 1850-3, extensively documented in the so-called "London notebooks[2]". Between 1851 to 1856, he wrote substantially on banking, international trade, financial policy and crises in his journalistic articles for the Anglo-American newspaper *New York Daily Tribune* (*NYDT*). However, it was only in 1857, when the economic crisis of global magnitude burst out, that Marx decisively came up with the more ambitious theoretical project to write a series of six books on the *"Critique of Political Economy"* and started working on the *Grundrisse*, which consists in one of the drafts of the very first planned book ("On Capital"). As Rosdolsky puts it: "Characteristically, it was the outbreak of the economic crisis of 1857 which was responsible both for the immediate decision to write the *Rough Draft* [*Grundrisse*], and the feverish hurry with which this was done" (1977, p. 7).

From the 1857-8 structure plan on the *Critique of Political Economy* (Figure 1), one can see that from the start Marx intended to reach the analysis of "World Trade and Crisis". However, the content of the three Volumes of *Capital* – the second and third posthumously published by Engels on the basis of Marx's manuscripts – strongly suggest that the initial structure was partially dropped by the incorporation of the books on 'landed property' and 'wages'[3] into *Capital* (Rosdolsky, 1977, chapter 2).

[1] *Capital,* Volume III, p. 670.

[2] For a detailed analysis of the London Notebooks, see Pradella (2015), chapter 4.

[3] The reason for this change is that capital – a historically determined social relation – could not be analysed in isolation from the particular *functions* played by the particular *social classes* in the general process of value creation, circulation and distribution. In this sense, capital reproduction necessarily entails the reproduction of its underlying social relations: "If one part of the product were not transformed into capital, the other would not assume the forms of wages, profit and rent. On the other hand, if the capitalist mode of production presupposes this specific social form of the conditions of production, it constantly

<table>
<tr><th colspan="2">Critique of Political Economy</th></tr>
<tr><th>1857-8 Plan</th><th>1867-83 Outcome</th></tr>
<tr><td>1. On Capital-----------------------------------
I. Capital in general
a) Production process of capital
b) Circulation process of capital
c) Profit and interest
II. Competition of many capitals
III. Credit
IV. Share capital
2. Landed Property-----------------------------
3. Wage Labour---------------------------------</td><td>Capital
I. The Process of Production of Capital
II. The Process of Circulation of Capital
III. The Figures of the Process as a Whole[4]</td></tr>
<tr><td>4. State
5. Foreign Trade
6. World Market and Crisis</td><td>?</td></tr>
</table>

Figure 1 – Structure of Marx's *Critique of Political Economy*: 1857-8 plan in the *Grundrisse* x *Capital*

It is uncertain if Marx still planned to write the three remaining books – 'state', 'foreign trade' and 'world market and crisis' – but there are numerous references in *Capital* that indicate that the analysis of "market prices", "economic cycles and crisis" and the "world market" was still intended to be covered in a possible future investigation of the "real movement of competition"[5]. The following passages are illustrative of this point:

> In presenting the reification of the relations of production and the autonomy they acquire vis-a-vis the agents of production, we shall *not* go into the form and manner in which these connections appear to them as overwhelming natural laws, governing them irrespective of their will, in the form that the world market and its conjunctures, the movement of market prices, the cycles of industry and trade and the alternation of prosperity and crisis prevails on them as blind necessity. This is because the *actual movement of competition* lies outside our plan, and we are only out to present the *internal organization of the capitalist mode of production*, its *ideal average*, as it were. (*CIII*, p.969-70, *my emphasis*)

> The phenomena under investigation in this section require for their full development the *credit system* and *competition on the world market*, the latter forming the *very basis of the capitalist mode of production*, which in

reproduces it as well. It not only produces the material products, but constantly reproduces the relations of production in which these are produced, and with them also the corresponding relations of distribution" (*CIII*, p. 1019).

[4] Engels changed Marx's original subtitle to Volume III of *Capital*, "*Gestaltungen des Gesamtprozesses*" (The Figures of the Process as a Whole), into *"Der Gesamtprozess der kapitalistischen Produktion"* (The Process of Capitalist Production as a Whole). We refer here to the original subtitle.

[5] See *CIII*, p. 134, 203, 205, 208, 213, 286, 477, 967, 1014. See also Rosldolsky (1977, p. 52).

> any case needs the world market as its sphere of action. These more *concrete forms of capitalist production* can (1) only be depicted after the *general nature of capital* has been understood, and (2) it is outside the scope of this work to present them – they belong to a possible continuation. (*Manus*[6], p. 215, *my emphasis*)

In *Capital*, Marx's scope of analysis was the *inner laws of capital* abstracted from all disturbances posed in "actual competition", from all barriers to the processes which drive capital reproduction in their "ideal average". As Marx points out in a few passages, there is no *immediate* empirical correlate to his analysis in *Capital* – it is a matter of presenting the determinants of the laws of motion themselves:

> What I have to examine in this work is the capitalist mode of production, and the relations of production and forms of intercourse [*Verkehrsverhältnisse*] that correspond to it. Until now, their *locus classicus* has been England. This is the reason why England is used as the main *illustration* of the theoretical developments I make. […] Intrinsically, it is not a question of the higher or lower degree of development of the social antagonisms that spring from the natural laws of capitalist production. *It is a question of these laws themselves, of these tendencies winning their way through and working themselves out with iron necessity*. (*CI*, p. 90-1, *my emphasis*)

> It is undeniably in England that this modern society and its economic articulation is most widely and most classically developed. Even there, though, this class articulation does not emerge in *pure form*. (*CIII*, p.1025; Cf. *Manus*, p. 946, *my emphasis*)

Although Marx does not provide us with the study of capital dynamic in any specific country, his *abstract* account is usually developed under the assumption that capital functions in a "given society" or within a "national economy". This poses an apparent tension in *Capital*, because the capitalist mode of production as a global phenomenon is set as the object of analysis right from the first chapters of *Capital*. It is well known that Marx starts out by dissecting capital's 'elementary form of wealth', i.e. 'the commodity', to grasp the social substance of value, *abstract labour*. In this way, he shows that the constitution of commodity exchangeability as the general mediation of social life simultaneously develops the expression of value into an independent and universal form in the market: *money*[7]. It is only after arriving at the category of *world*

[6] We refer to the original manuscript here because Engels slightly edited this passage (Cf. *CIII*, p. 205).

[7] Marx presents the intertwined functions of money in Chapter 3 of *CI*: measure of value and money of account; means of circulation; money as money. The latter comprises the interplay of three functions: hoard, means of payment and world money.

money that Marx moves to "The Transformation of Money into Capital", where he states that *world trade* and *world market* constitute the historic presuppositions of capital.

Marx argues, however, that "we do not need to look back at the history of capital's origin in order to recognize that money is its first form of appearance" (*CI*, p. 247). He therefore proceeds to the step-by-step theoretical presentation of the general law of capitalist production and accumulation without addressing the historical genesis of its underlying social classes. It is only in the last section of *CI*, "The so-called Primitive Accumulation of Capital", that Marx exposes the historical constitution of capital relations. He crucially shows there that capital emerged first in England ("the classical case") not as an isolated national phenomenon, but as a process necessarily connected with the development of the world market and world money, i.e. commodity and money circulation internationally. In other words, the "primitively" accumulated capital found in England the conditions that allowed it to eventually reach the *internal control of the labour process*. In general, material on the world economy is not limited to this specific historical account but can be extensively found in examples throughout all the three volumes of *Capital*.

The apparent duality in Marx's social theory – global capitalist mode of production as the object of analysis and the assumption of a "national unit" for the presentation of the law of value – is not however contradictory. Marx regarded the "real" phenomenon "as a rich totality of many determinations and relations" which could only be appropriated in thought by "rising from the abstract to the concrete", the "scientifically correct method" (*Con*, 1904 [1859], p. 293). Abstraction was thus the primary resource of social science: "in the analysis of economic forms neither microscopes nor chemical reagents are of assistance. The power of abstraction must replace both" (*CI*, p. 90). In this manner, Marx had to abstract from many complexities of the "reality" to grasp the simple "cell-form" of social relations in order to progressively apprehend the functioning of the whole social living organism. Yet, at a higher level of abstraction, the theoretical construction does not immediately reflect any particular expression of the "living organism", whose characteristics are strikingly diverse, but its laws of motion in a "pure state", without being affected by "disturbing influences" (*Ibid*).

Marx's object of analysis is the capitalist mode of production (the "living whole"), whose autonomous existence as a worldwide phenomenon is "always kept in mind as the presupposition" throughout *Capital*, as a given reality "outside the head" (*Con*, 1904 [1859], p. 295). But the "reproduction of the concrete by way of thought" must ascend "from the simple relations, such as labour, division of labour, need, exchange value, to the level of the state, exchange between nations and the world market" (*Ibid.*, p. 293). The assumption of a "given national economy" is interpreted here as Marx's theoretical tool to show the process of capital reproduction through the manifold processes of *equalisation* brought about by competition (*CI*, p. 650, 701; *CIII*, p. 242, 250, 275). Although this notion of equalisation is already implicit in the social form of commodity exchangeability (value form) and the reduction of concrete labour into abstract labour – "a social process that goes on behind the backs of the producers" (*CI*, p. 135) – it is more clearly manifested in the formation of "ideal averages", such as the prices of production, labour productivity levels, wages, rate of profit, rate of interest, etc. These averages are central because they conduct the distribution of the value produced in this "given society" and orient future capital advances.

Nevertheless, Marx does not assume whatsoever that those "social averages" or "equalisations" are fully accomplished internationally. He otherwise emphasises that different rates of *surplus-value*, *profit* and *interest* operate on the world market (*CIII*, p. 242, 631). How to conceptualise then the process of value creation and appropriation globally grounded on the Marxian labour theory of value? Following the methodological approach set out by Marx, the analysis of the *general* mechanisms of capital reproduction worldwide would still require the introduction of other levels of determinacy. According to the 1857-8 outline of the *Critique of Political Economy*, the next step after the abstract account developed in *Capital* would be to introduce the state, which is the intermediating element within and without national borders. In this way, the theoretical move from the abstract to the concrete would be raised to a further degree[8].

This methodological approach informs the argument developed in this paper, whose aim is to grasp Marx's elaboration on credit and the world economy in *Capital*. In Part Five of *CIII*, "The Division of Profit into Interest and Profit of Enterprise", he provides important developments on the relation between the *state* and the *money market* and indicates that it plays a central role in the mediation of the national and global level of capital production, circulation, appropriation and reproduction. We encounter a

[8] In a letter to Ferdinand Lassalle dated from 11 March 1858, Marx mentions that the last 3 planned books would be confined to "no more than the broad outline", whereas the first 3 would contain "the actual nub of the economic argument" (*CW* 40, p. 286). However, in a letter to Ludwig Kugelmann of 28 December 1862, he regards the analysis of the state as a more complex than the other topics of the last 3 books: "the development of the sequel (with the exception, perhaps, of the relationship between the various forms of state and the various economic structures of society) could easily be pursued by others on the basis thus provided" (*CW* 41, p. 263).

considerable amount of material on the 1847 and 1857 world crises, the English monetary system, exchange rates and international gold flows for payment settlements. However, the unfinished character of some of the chapters is strikingly noticeable. As a matter of fact, part of the text was actually written by Marx under the title "The Confusion" on the original manuscripts (Cf. *Manus*, p.598-622 and p. 636-692). Engels indeed warns the reader on the Preface to *CIII* that Part Five, considered by Engels himself to contain "the most important subject of the book", was organized from a "disordered jumble of notes, comments and extract material" (Engels in *CIII*, p. 94-5). The sketchy nature of the text and its rather "concrete" content even led to the questioning whether parts of those drafts were actually intended to be presented in *Capital* or were still at Marx's stage of theoretical inquiry (Heinrich, 1996-7, p. 460-3). In any case, despite all these difficulties, Marx's unfinished analysis still provides some insightful lines to our purpose here: grasp the links between the credit system and the world economy. We will return to this point in the third section of this paper; for now, let us briefly take a closer look on how Marx posited the specific role of credit in capital accumulation and how the state intervenes in the money-market, specially during economic downturns.

2 Capital and Credit

2.1 Money, Accumulation and Centralization of Capital

In *CI*, Marx presents the three nuclear and intertwined markets[9] that *money*, "the independent and universal form of value", must enter in order to be transformed into capital: *commodity-market, labour-market* or *money-market* (*CI*, p.247). At the end of the process, the self- valorisation of capital must be ultimately expressed back in its monetary form, the "general mode of existence of value", in contrast with its "particular" or "disguised mode of existence" as commodity. In this sense, capital valorisation is a process of constant metamorphosis between commodities and money that must *necessarily* be expressed in the money form of value:

> By virtue of being value, it has acquired the *occult ability to add value to itself*. It brings forth living offspring, or at least lays golden eggs.
> As the dominant subject [*übergreifendes Subjekt*] of this process, in which it alternately assumes and loses the form of money and the form of commodities, but preserves and expands itself through all these changes, *value requires above all an independent form by means of which its identity with itself may be asserted*. Only in the shape of *money* does it

[9] As we mentioned before, Marx takes capital in its unfolded stage, in which *commodity-market*, *labour-market* and *money-market* are fully developed, in order to present the laws of capital accumulation throughout *CI*.

> possess this form. *Money therefore forms the starting point and the conclusion of every valorization process*. (*CI*, p. 255, *my emphasis*).

Marx develops this argument further in *CIII*, where he argues that the monetary expression capital valorisation acquires its most finished and fetishist manifestation as interest bearing capital:

> *M-M'*. Here we have the original starting-point of capital, money in the formula *M-C-M'*, reduced to the two extremes *M-M'*, where $M' = M + \Delta M$, money that creates more money. This is the original and general formula for capital reduced to a meaningless abbreviation. It is capital in its finished form, the unity of the production and circulation processes, and hence capital yielding a definite surplus-value in a specific period of time. In the form of interest-bearing capital, capital appears immediately in this form, unmediated by the production and circulation processes. Capital appears as a mysterious and self-creating source of interest, of its own increase. The *thing* (money, commodity, value) is now already capital simply as a thing […]. In interest-bearing capital, therefore, this automatic fetish is elaborated into its pure form, self-valorizing value, money breeding money, and in this form it no longer bears any marks of its origin. (*CIII*, p. 515-6, *Marx's emphasis*)

What is occulted in the *M-C-M'* and *M-M'* formulas is that the mere circulation of *money as capital* in the *commodity-market* and the *money-market* does not suffice for the valorisation process to occur: "merchant's and interest-bearing capital are derivative forms" (*CI*, p.267-8). Marx argues that accumulation inexorably depends on capital's penetration into the *production sphere* – "…P…" in the M-C…P…C'-M' circuit – which represents the interruption of commodity and money circulation for the *creation* of new value afresh (*CII*, p. 109). And this is only possible through the acquisition by the capitalist of a special commodity, labour-power, "whose use-value possesses the peculiar property of being a source of value, whose actual consumption is therefore itself an objectification [*Vergegenständlichung*] of labour, hence a creation of value" (*CI,* p. 270).

In the labour-market, capitalists and workers meet as the personifications of the antagonistic social relation subordinated to the necessity of capital accumulation: capitalists advance certain amounts of money when buying means of production and labour-power so that the living labour performed by workers preserve the advanced value of constant capital (objects and means of labour, expressed in their prices), reproduce the value of variable capital (workers' means of subsistence, expressed in their wages) and, moreover, produce *surplus-value* that constitutes the basis for capital accumulation (profits, interest and rent). Henceforth, for Marx, capitalist accumulation relies *exclusively* on surplus-value, i.e. on the portion of value created by the workers that is not appropriated by them in the form of wages. The source of capitalists' profits, interest and rent consists therefore of workers' *unpaid labour*[10]. However, the exchange of labour-power for wages, the monetary expression of the value of labour power, disguises the exploitative character of the capital-labour social relation; it "extinguishes every trace of the division of the working day into necessary labour and surplus labour, into paid labour and unpaid labour. All labour appears as paid labour" (*CI*, p. 680).

Nonetheless, capital mystification is not limited to the social relation between capitalists and workers, but also comprises relations within the capitalist class: industrial, merchant and money capitalists[11]. Marx argues that the primary focus of *CI* is the "Process of Production of Capital", so commodity and money circulation are only discussed there when necessary for the understanding of the productive stage of capital (*CII*, p. 109). It is in *CII* that Marx digs into the "Process of Circulation of Capital", but the M-C…P…C'-M' circuit is presented as a "unified process of circulation and production" (*CII*, p.139), which entails the incessant necessary metamorphosis for its reproduction. Thus, the circulation stages[12], in which a mere change of form of value between commodity and money takes place, are theoretically integrated to the productive stage in *CII*. In other words, the 'buying and selling' of commodities as well as its correspondent monetary operations are assumed to be carried out directly (and collectively) by capitalists engaged in production (*CII*, p. 191). In *CIII*, the treatment of industrial capital as a monolithic entity evolves to a level of differentiation in which its particular circuits take the form of "a specific business of its own, separate from other functions of industrial capital and hence autonomous" (*CIII*, p. 384).

Marx argues that although "productive capital", "merchant's capital" and "interest-bearing capital" operate and accumulate independently, in fact their movement ultimately rely on the total surplus value socially extracted exclusively within production. But the fragmentation of the total surplus value into individual parts is expressed in the consciousness of the agents as 'money breeding more money' regardless the productive

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[10] Marx in the *Grundrisse* made the following statement, which can be taken as the ultimate law of the capitalist system: "The individual carries his social power, as well as his bond with society, in his pocket" (*Grund*, p. 157). On the one hand, workers' empty pocket makes them dependent on wages for living and therefore brings them permanently to the labour-market. On the other hand, capitalists hold money that has the potential to be transformed into capital, hence appropriating surplus-value and expanding their own power.

[11] We will touch upon the specificity of landed property and ground-rent shortly.

[12] "The two forms that the capital value assumes within its circulation stages are those of *money capital* and *commodity capital*; the form pertaining to the production stage is that of *productive capital*. The capital that assumes these forms in the course of its total circuit, discards them again and fulfils in each of them its appropriate function, is *industrial capital* - industrial here in the sense that it encompasses every branch of production that is pursued on a capitalist basis" (*CII*, p.133).

exploitation of workers. Variable capital manifests itself in the monetary form of wages as a mere *cost* along with the costs of constant capital. In this manner, capitalists face accumulation not as a direct relation with the relative amount of living labour applied to production, but as a rate to the *total money capital invested*, be it in *production*, *trade* or '*finance'*. Hence, it is not the social substance of value that appears as the "fertile element" in accumulation, but money itself, conditioned by the particularities of the competitive market into which it functions as capital. In synthesis: "The social relation is consummated in the relationship of a thing, money, to itself" (*CIII*, p.516). As indicated previously, the interest-bearing form of capital – and its correspondent modern credit system – is decisive for this process of mystification.

Whereas in the capitalist mode of production all social classes must handle money, which possesses the same quality as the universal equivalent of value on the market, in order to be transformed into capital, the *quantitative aspect* of money privately owned is determinant:

> The minimum sum of value the individual possessor of money or commodities must command in order to metamorphose himself into a capitalist changes with the different stages of development of capitalist production, and is at given stages different in different spheres of production, according to their special technical conditions. (*CI*, p. 424)

Marx argues that the transformation of money capital into means of production turns them "into a title, both by right and by might, to the labour and surplus labour of others" (*CI*, p. 425) so "property turns out to be the right, on the part of the capitalist to appropriate the unpaid labour of others or its product, and the impossibility, on the part of the worker, of appropriating his own product" (*CI*, 730). On the one hand, the constant reproduction of capital develops the incessant process of *capital concentration*, i.e. the permanent creation and appropriation of new value afresh that is retransformed back into capital[13]. On the other, competition-driven technological innovations tend to increase the organic composition of capital and the productivity of labour, which, in turn, besides stimulating accumulation, also promotes *capital centralisation*. This is because technologies that are more productive than the social average allow capitalists that first

[13] "If, therefore, a certain degree of accumulation of capital appears as a pre-condition for the specifically capitalist mode of production, the latter reacts back to cause an accelerated accumulation of capital. With the accumulation of capital, therefore, the specifically capitalist mode of production develops, and, with the capitalist mode of production, the accumulation of capital. These two economic factors bring about, in the compound ratio of the impulses they give to each other, that change in the technical composition of capital by which the variable component becomes smaller and smaller as compared to with the constant component" (*CI*, p. 776).

apply them to beat and displace their competitors by selling their commodities at a price lower than the social market price. As a result, fewer capitalists become the private proprietors of ever greater portions of the total social capital (*CI*, p. 777). It is evident that commercial competition develops the centralisation of merchants' capital accordingly, which operates the realisation of the ever-greater masses of commodity capital values produced by large scale industry. Therefore, with the development of the capitalist system, the bulk of the total social capital in production and commercial enterprises turns into the private property of a relatively small number of capitalists.

It follows that the higher the degree of capital centralisation in production and circulation of commodities, the higher the individual minimum magnitude of money capital required to competitively start and maintain its own reproduction, preferably on an expanded scale – and this minimum is constantly raised to new levels. To the same extent, centralisation in the money market becomes both the result and the presupposition for capital investments: "The development of the production process expands credit, while credit in turn leads to an expansion of industrial and commercial operations" (*CIII*, p. 612).

By centralising the money available in the society and disposing it for loan, the development of the credit system – mainly through banking, joint-stock companies and government bonds – drives the possibilities of investments way beyond the limitations of the magnitude of individually accumulated capitals in production and circulation. Capital ownership itself acquires a new form that displaces the individual businessmen for "a mere manager in charge of other people's capital" for whom capital itself is reduced to money that valorises itself according to the fluctuations in interest rates and dividends (*CIII*, p. 567). Moreover, the permanent buying and selling of shares, securities, bonds, etc. in search for higher degrees of valorisation drives the centralisation process, in which "little fishes are gobbled up by the sharks, and sheep by the stock-exchange wolves" (*CIII*, p. 571), to an enormous scale. Hence, the credit system "develops the motive of capitalist production, enrichment by exploitation of others' labour, into purest and most colossal system of gambling and swindling, and restricts ever more the already small numbers of exploiters of social wealth" (*CIII*, p.572).

2.2 Surplus-value fragmentation, Crises and the State

We move on now to the *brief* presentation of the fragmentation of surplus-value into the revenues yielded by the autonomous forms of capital, without going into details on this process (and the many controversies it brings about among Marxist scholars). Our purpose is primarily to grasp, in Marx's *Capital*, the role attributed to credit and to the state intervention in the money-market during crises in order to discuss, in the next section, how credit and the state can function as a mediating *locus* of the national and international spheres of capital accumulation.

INDUSTRIAL CAPITAL AND PROFIT

Marx argues that, *given the rate of exploitation in the society in question*, the average rate of profit is formed through the constant movement of capital from one branch of *production* to another in permanent search for greater profitability. This constant flow *tends to* equalise the rate of profit in all sectors (or form a general average), which appears to be market-given by the *price of production* of commodities (= production costs + profit rate) (*CIII*, p. 258-62). This means that, regardless the organic composition of capitals and the relative amount of surplus-value that is produced in different branches of production, capitals of the same size ($c + v$) tend to yield the same magnitude of profit (p). In the long run, the rate of profit *tends to*[14] fall as a consequence of the growing organic composition of capital through the development and generalisation of the productive methods that contracts the relative application of living labour (expressed in the variable capital) and therefore the magnitude of surplus-value created in relation to the total social capital advanced (*CIII*, p. 373).

It must be emphasised here that, for the "constant equalisation of ever-renewed inequalities" to be accomplished, Marx assumes a high level of *capital mobility* and also the free *mobility of labour-power* between branches of production within the "given society". The former presupposes the development of the credit system (*CIII*, p. 298, 566). Moreover, credit lays the foundation for the constant expansion of the scale of production and accelerates technological innovation, which in turn may impact the fluctuations in the average profit rate (*Ibid*).

MERCHANT'S CAPITAL AND PROFIT

For Marx, merchant's capitalists have the ability to appropriate surplus-value not by a nominal increase in the price of commodities, but because the production price for which merchants buy the commodities stands *below* its value. The *real production price* for which commodities are sold thus covers the costs of production and circulation, the industrial profit and the commercial profit. The fact that merchant's capital participates in

[14] There are *counteracting factors* that hold back the strength and the speed of the tendency of the rate of profit to fall (*CIII*, chapter 14). Marx lists six of these general factors: more intense exploitation of labour; reduction of labour below their value; cheapening of the elements of constant capital; the relative surplus population; foreign trade; the increase in share capital.

the total capital that enters the formation of the average rate of profit does not mean that the rate necessarily falls with the development of this specific form of capital. *Circulation* is a stage capital must inexorably perform for the realisation of the value objectified in the produced commodities: “if they [commodities] are not sold within a definite time, then they get spoiled, and lose, together with their use-value, the property of being bearers of exchange-value. Both the capital value contained in them and the surplus-value added to it are lost” (*CII*, p.206).

By being separated off, merchant’s capital tends to diminish the costs of circulation and/or facilitate market expansion, contributing to the relative increase in the general profit rate or in the mass of profits (given the same rate of exploitation in production) (*CIII*, p. 388). The speed and fluidity of circulation depends fundamentally on the uninterrupted renewal of the production process and the disposal of capital in the money form to constantly operate buying and selling transactions on the market. The credit system acts upon both, since it centralises the bulk of the money available in the economy: it provides the basis for the continuity and expansion of production and circulation of commodities, regardless the diversity of turnover times of different enterprises, and it also enormously speeds up payment settlements and commercial transactions and therefore capital reproduction process (*CIII*, p. 390 and 566-7).

CREDIT AND INTEREST

Whereas money, the independent and universal form of value, assumes different functions, *money as capital* plays even more complex roles. Productive and merchant’s capital inevitably require money capital as their starting point for value transubstantiation into commodity production and circulation. However, the very fact that money has the potentiality to function as capital gives rise to the *money-market* and the *interest-bearing form of capital*: capital itself becomes a commodity. The exchange between ‘the seller’ (lender) and ‘the buyer’ (borrower) of this special commodity is peculiar firstly because there is no mutual transfer in ownership and secondly because there is no exchange of equivalents: an amount of money (M) is provided under a legal contract guaranteeing that it returns in greater magnitude after an agreed period of time and given the rate of interest ($M + \Delta M$).

The *rate of interest* in turn is immediately determined by competition in the money market; i.e. by confrontation of supply and demand of money capital. The functioning capitalists, the ones who invest the borrowed money in production or circulation, must deduce the owed interest from part of their realised profits and, instead of accruing the average rate of profit, they appropriate *profit of enterprise* (= profit – interest). This implies that, even though the rate of interest is autonomously determined in the money market, its maximum limit is ultimately given by the average rate of profit. Moreover, the opposition between capital as money ownership (property) and as industrial function overshadows the underlying source of all value: the exploitative character of capitalist social relation of production. This last feature is pushed further to its limits with the development of the credit system.

The most striking feature of the credit system is that the money pool it centralises from all social classes is not constrained by "genuine accumulation", but develops far beyond it mainly through the autonomous creation of bank credit, the constitution of joint-stock companies and the systemic sale of public debt papers. Marx conceptualises this mass of capital that arises independently from "real reproduction" as *fictitious capital*. The issue of papers, such as securities, stocks and government bonds, is not directly backed by any previously created value. Nonetheless, they act as a powerful leverage to fund capital advances or private and public expenditures because they are sold as legal titles for the appropriation of *future value*, according to the interest rate.

Fictitious capital may represent a duplication (or even triplication) of capital if it exists at the same time as negotiable papers (stocks, securities, etc.) in the money-market and as capital actually functioning in production or circulation. A further complexification of this peculiar form of capital is that not all money raised with the selling of papers is invested as 'functioning capital enterprises', but may be partially or completely spent unproductively. Even though, its existence as paper – and the correspondent legal obligation to yield interest it carries – remains in circulation. Moreover, it must be highlighted that, because papers constitute *capitalised revenue*, once sold, their prices vary inversely with the fluctuations in the interest rate, and also with the speculation over *future* profitability, regardless what will actually happen in the valorisation process. The money market assumes the image of a life of its own: "By and large, therefore, the movement of loan capital, as expressed in the rate of interest, runs in the opposite direction to that of industrial capital" (*CIII*, p.620). This takes us to the inherent connection between accumulation (and rate of profit), credit (and rate of interest), business cycles and the relation of the state and the money-market.

Marx argues that when the scale of production is constant, accumulation leads to the abundance of loanable money capital and therefore to a low rate of interest. The stable fluidity of capital reproduction and the regularity of the returns pushes credit and in particular the "paper world" to expand, (over)stimulating great masses of industrial investments, which tends to the adoption of higher levels of organic composition. Interest rates rises as a reaction to the increased demand for credit until it reaches high levels with the stagnation of the reproduction process (overproduction). Credit then contracts or dries out with the burst of a crisis, firstly manifested in the so-called "financial" sphere, since the entire chain of payments cannot be satisfied in the money form of value. Hence, the autonomous nature of the credit system accelerates the business cycles by flooding the economy with capital that, given the straight basis of surplus-value creation in relation to the "plethora of capital", cannot be sustainably realised in the long run[15]. The fluidity of the valorisation process is interrupted and a "monetary famine" emerges in order to accommodate previous obligations:

> In a system of production where the entire interconnection of the reproduction process rests on credit, a crisis must evidently break out if credit is suddenly withdrawn and only cash payment is accepted, in the form of a violent scramble for means of payment. At first glance, therefore, the entire crisis presents itself as simply a credit and monetary crisis. (*CIII*, p. 621)

Whereas the difficulty or impossibility to convert papers into banknotes brings about a reduction in their prices – and therefore a destruction of masses of fictitious capital – this "has nothing to do with the real capital they represent. As against this, it has a lot to do with the solvency of their owners" (*CIII*, p. 625). Money, as the autonomous form of value into which all commodities are confronted, must be rescued in order to maintain the capitalist form of sociability. But because credit "being similarly a social form of wealth, displaces money and usurps its position" (*CIII*, p. 707), it must inevitably be rescued at the expense of commodity devaluation[16]:

> A devaluation of credit money (not to speak of a complete loss of its monetary character, which is in any case purely imaginary) would destroy all the existing relationships. The value of commodities is thus sacrificed in order to ensure the fantastic and autonomous existence of this value in

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[15] It was mentioned before that there is a tendency of the general rate of profit to fall as a consequence of the increasing organic composition of capital, quite apart from credit money. On the one hand, although this tendency can be intensified through credit provision for the development and adoption of new technologies in production, crises may arise independently. This is because the rate of profit may still be relatively high, but if the mass of fictitious capital exponentially increases due to speculation or even fraud, the profits won't suffice for the reproduction of all capital circuits and the crisis will break out. On the other hand, share capital itself is one of the counteracting factors of the aforementioned tendency, because share values do not necessarily enter the formation of the rate of profit (the functioning capital does) and share owners yield interest and dividends out of the actual mass of profits generated (*CIII*, p. 347 and 568).

[16] This includes a special commodity: labour power. Wages commonly fall below the value of labour power during crises, but the crystallization of lower wages as the monetary expression of a lower value of labour power after the crisis depends on other factors, including political class struggles.

> money. In any event, a money value is only guaranteed as long as money itself is guaranteed. This is why many millions' worth of commodities have to be sacrificed for a few millions in money. This is unavoidable in capitalist production, and forms one of its particular charms. […] As long as the *social* character of labour appears as the *monetary existence* of the commodity and hence as a *thing* outside actual production, monetary crises, independent of real crises or as an intensification of them, are unavoidable. (*CIII*, p. 649)

The role of the state indispensably comes into play during crises to guarantee the monetary existence of value. Firstly, the maximum legal issue of banknotes is established by some ratio with the banks' reserve fund (bank leverage). In moments of crises, these banks' reserves ultimately "boil down" to the precious metal reserves kept in the central bank. However, metal reserves are strikingly insufficient to reflect all the value in the economy that require the monetary form: "The central bank is the pivot of the credit system. And the metal reserve is in turn the pivot of the bank" (*CIII*, p. 706). Henceforth: "A certain quantity of metal that is insignificant in comparison with production as a whole is the acknowledged pivot of the system" (*CIII*, p. 707).

Nonetheless, the state can assure the value of part of the mass of credit that is "a mere phantom of the mind" by securing the yields on government bonds, which in turn are not at any point a representation of real functioning capital (the money from the sale of bonds are *mostly* used to fund unproductive public spending). This is only possible because the state and the central bank are "backed by the entire wealth of the nation" (*CIII*, p. 674). In other words, the state has the monopoly power over the appropriation of masses of surplus value through taxation and portions of it can therefore be transferred to the owners of government bonds. Despite this capacity, the state cannot entirely prevent massive devaluation during crises and the process of centralisation of capital that follows by the "swallowing-up of small capitals by big" through the acquisition of devalued assets. The meltdown of capital values is inevitable, but it also sets a (lower) level of social capital as the new starting point of the business cycles. However, the intrinsic contradictory character of capital relation eventually leads to a new crisis:

> Capitalist production constantly strives to overcome these immanent barriers, but it overcomes them only by means that set up the barriers afresh and on a more powerful scale. The *true barrier* to capitalist production is *capital itself*. It is that capital and its self-valorization appear as the starting and finishing point, as the motive and purpose of production. (*CIII*, p. 358).

LANDED PROPERTY AND RENT

"Landed property presupposes that certain persons enjoy the monopoly of disposing of particular portions of the globe as exclusive spheres of their private will to the exclusion of all others" (*CIII*, p. 752). Although landed property existed in various previous historical forms, Marx specifically analyses the way private titles to parts of the earth enable their owners to accrue rent in the capitalist mode of production. Moreover, Marx is particularly concerned with the way *agriculture*[17] becomes subsumed to the law of value.

Firstly, it is essential to clarify that the value advanced on the purchase of landed property does not function whatsoever as agricultural capital. Landownership is simply a title that allows for the appropriation of a portion of the socially produced surplus value in the form of ground rent; in other words, what is purchased is the capacity of a sum of value to generate more value (capital). Analogously to government bonds, the price of land is regulated by the interest rate and represents capitalised ground rent (*CIII*, p. 945-6). *Secondly*, different lands bear different characteristics and, as a result, there are distinctions in the form and magnitude of rent, mainly based on variations of natural fertility and location of different areas (differential rent I) and on the variations in the productivity rate as a result of successive capital investments to the same area (differential rent II). *Finally*, landed property by itself does not give rise to ground rent, but to the right of its owner to withdraw the property from the market until prices of agricultural products increase up to the point that even production on the worst lands becomes "capable" of paying rent (absolute rent) (*CIII*, p. 891). Henceforth, agricultural products are not levelled down to their price of production but are sold at a *monopoly price*, which tends to stand above their price of production and below their value (*CIII*, p.897). This is a fundamental difference between investments in land titles and other forms of capitalist enterprises in production and trade:

> The essence of absolute rent consists in this: equally large capitals produce different amounts of surplus-value in different spheres of production according to their differing average composition, given an equal rate of surplus-value or equal exploitation of labour. In industry these different amounts of surplus-value are equalized to give the average profit and are divided uniformly between the individual capitals as aliquot

[17] Landed property does not influence only agriculture and access to natural resources (such as mines, forests, water, etc.), but any activity that requires land – buildings for business enterprises, family housing, education, health and transportation services, etc. Any human activity virtually presupposes a physical space to be performed at. Hence, Marx makes the following reference to rent on buildings: "One section of society here demands a tribute from the other for the very right to live on the earth, just as landed property in general involves the right of the proprietors to exploit the earth's surface, the bowels of the earth, the air and thereby the maintenance and development of life" (*CIII*, p. 908-9).

> parts of the total capital. *Landed property, whenever production needs land, whether for agriculture or for the extraction of raw materials, blocks this equalization for the capitals invested on the land and captures a portion of surplus-value which would otherwise go into the equalization process, giving the general rate of profit*. Rent then forms a part of the value of commodities, in particular of their surplus-value, which simply accrues to the landowners who extract it from the capitalists, instead of to the capitalist class who have extracted it from the workers. (*CIII*, p. 906)

In this sense, “the monopoly of disposing the particular portions of the globe” sets an absolute barrier to the equalisation of the rate of profit for agricultural products, which in turn constitute the material elements of worker’s means of subsistence and capitalists’ raw materials (*CIII*, 896). This barrier is not, however, “external” to the capitalist mode of production, but a *sine qua non* condition for the reproduction of capital as a social relation – for the permanent expropriation of workers from their means of subsistence and their dependence on wages.

3 State and World Money

Let us return now to the point raised in the first section of this paper. On the one hand, Marx in *Capital* treats the inner laws of capital on a level of abstraction that presupposes a “given society” or a “national economy”, where the flows of money, commodity and labour-power are primarily driven by inter and intra-class competition and struggles. This constant flow leads crucially to the constitution of the social level of the value of labour power, the organic composition of capital, the rate of surplus value, the average rate of profit and the rate of interest. As we have seen, the only barrier to social equalisation is posed by landed property and ground-rent in the formation of the prices of agricultural products. For Marx, “In theory, we assume that the laws of the capitalist mode of production develop in their pure form” (*CIII*, p. 275). In this manner, he is able to present the process of production, circulation and distribution of value and surplus value – which take the monetary form of wages, profits (and interest) and rent – within this abstract society.

On the other hand, movement of money, commodity and people worldwide is historically intrinsic to the capitalist system and, as a matter of fact, Marx particularly exposes the internationalisation of commodity and money markets from the XVI century as constitutive and necessary elements of primitive accumulation (*CIII*, p. 433, p. 448-51). Even though internationalisation of production based on capitalist social relations takes a slower pace of development, it also appears in Marx’s illustrations throughout *Capital* (British capital export in railway construction abroad, for instance). So, the question that arises is: why did not Marx assume his conclusions on the development of the laws of capital in their "pure form", particularly the formation of an average organic composition of capital (within branches of production), rate of surplus value, rate of profit and rate of interest, to take place globally?

International *commodity trade* (means of production or means of consumption), international *movement of workers* and international *mobility of money capital* for productive, commercial and "financial" investments abroad do not run smoothly when crossing national borders. The 'state' is a capitalist institution that mediates competition in the commodity-market, labour-market and the money-market through numerous policies on wage levels, migration, taxation, subsidies, import *x* export duties, public debt, control over capital flows, credit, land access, property rights, etc. The state is not understood here to promote an "external interference" to capital, but considered as an integral element of the capitalist mode of production. This is made clear by Marx specially in *CI*, when he discusses the "more or less concealed civil war" over the working day, women's and children's labour, health situation at workplace and even the quality of the means of subsistence consumed by the workers. Marx argues that the physical and limiting conditions of exploitation "are of a very elastic nature, and allow a tremendous amount of latitude" (*CI*, p. 341) and capital "takes no account of the health and the length of life of the worker, unless society forces it to do so" (*CI*, p. 381). State legislation reflects therefore class struggle to regulate and enforce equal (formal) conditions of exploitation for all capitalists (*CI*, p. 405). It is evident, however, that capital itself constantly creates and recreates new levels and new struggles may arise (*CI*, p. 520), which develop according to the historical specificities of the political and economic configurations of each country or region.

Although the general living conditions of the population are crucial, since it impacts the value of the labour power and the rate of surplus value, government policies intervene beyond the regulation of the labour-market and act upon, directly or indirectly, capital accumulation inside its borders more broadly, including the alteration of capital distribution in different branches of industry. However, state 'governance' does not rule independently from political and economic pressures from foreign forces. The individual states and capitalists are subsumed under the dynamic of the world market, that is, the movement of capitals and the way other states' policies intervene in this movement.

Whereas those characteristics are general, they are not globally homogeneous: the relative power of each state on the world economy is obviously a manifestation of the relative concentration and centralization of the global capital in particular nations and their capacity to stimulate or pose barriers to the equalization processes worldwide to try to benefit from differentiated conditions of accumulation. Even though Marx makes, here and there, critical comments against the "free-trade dogma", he did not provide a *systematic* analysis of the 'state', 'foreign trade' and 'world market and crisis'. Nevertheless, there are important indications that Marx saw the relationship between particular nations and the *international credit system* based on *world money* as the primary *locus* of mediation of capital accumulation worldwide.

3.1 National and International credit systems: brief historical account

One of the main features of primitive accumulation of capital is the *constitution of the initial stock of money for capitalist development*, which finds its synthesis in the transitional form of the modern state. Colonialism, slavery, commercial wars, grant of legal monopolies and protectionist policies for national commercial and industrial companies, violent conquest of foreign markets and resources, public debt and its correspondent high taxation system were all different expressions of the absolute power carried out by the states and driven towards the hoarding of precious metals – money – through extortion, force and murder (*CI*, p.915). In Marx's terms, royal power was "itself a product of bourgeois development. […] The old nobility had been devoured by the great feudal wars. The new nobility was the child of its time, for which money was the power of all powers" (*CI*, p.878-9).

Marx argues that historically "capital as capital […] appears first of all in the circulation process. In this circulation process, money develops into capital" (*CIII*, p. 445). But, as we already pointed out, he understood this development from the perspective of international trade and its correspondent money movement during the transitional period to the capitalist mode of production, from which the international monetary system stems (Pradella, 2015). The technical operations of payments, settlement of balances, bookkeeping, storage of money, etc. developed into a relatively autonomous business, which Marx identifies as "money-dealing capital":

> As soon as various national coinages exist, merchants who buy abroad have to convert their own national coin into the local coinage and vice-versa, or else convert coins of various kinds into uncoined pure silver or gold as world money. Hence the exchange business, which should be viewed as one of the spontaneous bases of the modern money trade. From this there developed exchange banks, in which silver (or gold) functions as world money – known as bank or commercial money – as distinct from currency. […]

> As world money, national money discards its local character; one national money is expressed in another, and in this way they are all reduced to their gold or silver content. Since both these commodities circulate as world money, they have to be reduced in turn to their mutual value ratio, which is constantly changing. The money-dealer makes it his own special business to carry on this intermediary function. Money-changing and the bullion trade are thus the original forms of the money business and arise from the double function of money: as national coin and as world money. (*CIII*, p. 433-5)

The national and international systems of payment settlements developed hand in hand with their credit counterpart (especially in the form of bills of exchange). Marx argues that the constitution of the national credit systems emerged in Europe during the period of manufacture, in which the colonial system had a "preponderant role" (*CI,* p. 918). In fact, the "colonial system, with its maritime trade and its colonial wars" worked as a "forcing-house for the credit system" (*CI*, p. 919). But Marx particularly sees this process intrinsically connected with the development of the *public debt*, which "becomes one of the most powerful levers of primitive accumulation", since it turned banks, financiers and stock-jobbers into receptors of more or less secure revenues, paid out of the national taxation system. The emergence of fictitious capital (bank credit and joint-stock companies) – an important specificity of the modern era of capital – actually stems from it:

> The national debt, i.e. the alienation [*Veräusserung*] of the state – whether that state is despotic, constitutional or republican – marked the capitalist era with its stamp. The only part of the so-called national wealth that actually enters into the collective possession of a modern nation is – the national debt.
> […] the national debt has given rise to joint-stock companies, to dealing in negotiable effects of all kinds, and to speculation: in a word, it has given rise to stock-exchange gambling and the modern bankocracy. […]
> It was not long before this credit-money, created by the bank itself, became the coin in which the latter made its loans to the state, and paid, on behalf of the state, the interest on the public debt. (*CIII,* p. 919-20)

In short, international trade and the monetary operations it requires developed at once the national and international credit systems, which are based mainly on public debt and world money: "Along with the national debt there arose an international credit system, which conceals one of the sources of primitive accumulation in this or that people". All these state-led means of accumulation, including evidently the violent expropriation of peasants from their land, were equally decisive for the initial concentration and centralization of capitalist private property not only in England, "the classical case", but in the main modern industrial European states[18]. However, the international flow of capital that follows appears to have the marks of its origins disguised by the monetary form: "A great deal of capital, which appears in the United states without any birth-certificate, was yesterday, in England, the capitalized blood of children" (*CI*, p. 920).

Marx saw a historical turning point on the dynamics of capital on the global level brought about by the development of machinery-based large-scale industry and the means of transportation and communication, such as steam navigation, railways, telegraphy, construction of docks, canals, bridges, etc. (*CI*, p. 506 and 573). Nonetheless, due to its own historical constitution, competition on the world market comprises extremely uneven starting points in regard to the extent of capital centralization and development of productive forces. This unevenness tended to be deepened, primarily through capital's inner dynamic, both inwards and outwards national boundaries:

> […] the cheapness of the articles produced by machinery and the revolution in the means of transport and communication provide the weapons for the conquest of foreign markets. […] A *new international division of labour* springs up, one suited to the requirements of the main industrial countries, and it converts one part of the globe into a chiefly agricultural field of production for supplying the other part, which remains a pre-eminently industrial field. (*CI*, p. 580, *my emphasis*)
>
> Countries where the capitalist mode of production is not developed are also required to consume and produce on a level that suits the countries of the capitalist mode of production. (*CIII*, p. 365-6)

In the French edition of *CI*, Marx inserted this very insightful passage that closely relates industrialisation, world market and business cycles:

> But only after mechanical industry had struck root so deeply that it exerted a preponderant influence on the whole national production; only after foreign trade began to predominate over internal trade, thanks to mechanical industry; only after the world market had successively annexed extensive areas of the New World, Asia and Australia; and finally, only after a sufficient number of industrial nations had entered the arena – only after all this had happened can one date the repeated self-perpetuating cycles, whose successive phases embrace years, and always culminate in a general crisis, which is the end of one cycle and the starting-point of another. (*CI*, p.786)

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[18] "Certain spheres, even at the beginning of capitalist production, require a minimum of capital which is not yet to be found in the hands of single individuals. This situation gives rise partly to state subsidies to private individuals, as in France in the time of Colbert and in some German states right into our own epoch, and partly to the formation of companies with a legally secured monopoly over the conduct of certain branches of industry and commerce – the forerunners of the modern joint-stock companies" (*CI*, p. 424). See also *CI*, p. 940 and *CIII*, p.920.

Business cycles, industrialisation and world market, however, are all linked with the simultaneous development of the modern credit system.

3.2 Modern international credit system and world economy

Money is the necessary starting point and end point of the self-valorizing process, no matter what field of investment it enters into (industrial, commercial, "financial" or even in landed property). Capitals that reach a degree of centralization sufficient for their circulation on the world market must be valorised in terms of world money, *regardless the national diversities of economic and political conditions of accumulation*. On the global level, "money leaves the domestic sphere of circulation" and "loses the local functions it has acquired there" (*CI*, p. 240). It is on the world market that "commodities develop their value universally" (*Ibid*) and money functions as the "directly social form of realisation of human labour in the abstract. Its mode of existence becomes adequate to its concept" (*CI*, p. 241).

Marx attributed the regulation of exchange rates – the particular proportions into which different national coins are transacted between themselves and also converted into world money (gold or silver) – to the to the movements of foreign trade, interest rates and flows of reserve funds of central banks. However, this account is perhaps the sketchiest of Part Five of *CIII*, and basically consists of notes in which Marx appears to be working out the specific correlation between those factors (*CIII*, p. 708-26). Nevertheless, it seems that, for Marx, this necessary conversion on the world market lays down the basis for the confrontation of manifold inequalities in the conditions of capital accumulation in different countries, partly promoted or intensified by state policies, into a singular and universal expression of value – world money.

On the one hand, the dynamic of foreign trade is more directly affected by (real) prices of production of commodities. The movement of foreign trade, expressed in the Balance of Trade, seems to be closely related to what Marx calls "genuine accumulation" or "real reproduction", i.e. to the actual functioning capital that enters the formation of the profit rate. On the other hand, interest rates and flows of international reserve funds fluctuate with a relative autonomy from "real reproduction", since they are also intrinsically connected with the movements and masses of fictitious capital circulating in the economy in the form of government bonds, shares, securities, etc. The money capital invested in the "financial" sector, i.e. in the form of mere legal property titles to future surplus-value, also move globally and henceforth affects the oscillations in the interest rates in the countries where it penetrates.

One may argue that money capital enters foreign countries not only as realised commodity values in foreign trade or as "financial papers", but also as industrial and merchant's capital. This is indeed an important element in the competition of the world market: "The industrial capitalist is constantly faced with the world market, he compares and must compare his own cost prices not only with domestic market prices, but with those of the whole world" (*CIII*, p. 455). The differences in cost prices ($c + v$) guide to a great extent national and international capital flows for productive and commercial investments in various branches of each country and contribute to the deepening of the international division of labour. The distribution of the total global capital in different branches and nations, in turn, react back on the formation of the profit rates and the movements of foreign trade.

However, with the development of the international credit system, investments in industrial and commercial capitals also carry along the creation of fictitious capital (joint-stock companies and securities for instance), whose paper titles circulate worldwide. The combination of commodity and capital flows, as well as the correspondent revenue flows, are quantitatively expressed in the Balance of Payments in terms of world money. Nonetheless, the relative autonomy of the movement of "papers", and the swindling and gambling they bring about, seems to run much more smoothly on the international arena than the troublesome capital advances abroad in productive or industrial enterprises[19]. The following passage seems to indicate this point:

> In stressing this distinction between the interest rate and the profit rate, we have so far left aside the following two factors, which favour the consolidation of the interest rate: (1) the historical pre-existence of interest-bearing capital and the existence of a general rate of interest handed down by tradition; (2) the far stronger direct influence that the world market exerts on the establishment of the interest rate, *independently of the conditions of production in a country*, as compared with its influence on the profit rate. (*CIII*, p.490)

As we know, however, interest-bearing capital (M–M', where $M' = M + \Delta M$) ultimately relies on surplus-value creation and its monetary manifestation into profits and interest. For capitals that move globally in search for self-valorisation, this manifestation evidently must take the form of world money. Apart from dispersed comments, Marx does not give us many clues on the relation between the international credit system based on world money and the rates of surplus-value and profit rates in different countries, nor on

[19] This is due partly to the own nature of these investments but also to the specific conditions in different countries, including not only state policies but historical and cultural references.

how this relation may ground exchange rates. These analyses were very likely meant to be included on his planned investigation of capitalist competition on the world market.

However, as discussed in the last section, Marx saw a close link between credit money, the emergence of general crises and the role of the national states. This process is analogously suggested in *Capital* to develop globally: the network of capital accumulation has the world as its battlefield and during economic downturns, crises spread through the international chains of payments that are not completely accomplished. These obligations must be evidently made in world money (gold or silver) and during world crises, central banks face an intense flow of metal reserves that is *not* due to momentary disruptions in the balance of trade and/or payments. Marx saw a close relation between the gold reserve flows and the operating rates of interest in the countries that face those flows, which is clearly consistent with his conceptual treatment on the formation of interest rates.

This element thus must be understood in light of what was presented earlier on the relation between the state, public debt and the money-market: during periods of economic crashes, it is fundamental that the state rescues the monetary form of value by guaranteeing, to some extent, the solvency of its creditors, which includes large-scale financial institutions with worldwide links. Inside the national border, this generally means converting a portion of capital values into the money form (national currency), in order to satisfy specially the demand for means of payments. Beyond its national borders it must provide world money in its metallic shape.

It is evident that the emergence of crises in particular countries do not equally impact the world economy – this is conditioned more fundamentally to the degree of capital concentration and centralisation each state embraces in relation to the total global capital (as well as other aspects of geopolitics, such as militarisation). Nonetheless, what is strikingly important in Marx's approach to the national and international credit systems is the reliance on the state to rescue not merely the solvency of few money capitalists, but to guarantee the expression of the capital social relation into a "thing". In this sense[20]: "Public credit becomes the *credo* of capital. And with the rise of national debt-making, lack of faith in the national debt takes the place of the sin against the Holy Ghost, for which there is no forgiveness" (*CI*, p. 919, *Marx's emphasis*). The contradictions of national coinage, scale of capital concentration and centralisation as well as the necessity

[20] See also *CIII*, p. 727.

and impossibility of the conversion of capital values into gold during crises is a specific feature of the capitalist mode of production and its fetishist character:

> The monetary system is essentially Catholic, the credit system essentially Protestant. 'The Scotch hate gold'. As paper, the monetary existence of commodities has a purely social existence. It is *faith* that brings salvation. Faith in money value as the immanent spirit of commodities, faith in the mode of production and its predestined disposition, faith in the individual agents of production as mere personifications of self-valorizing capital. But the credit system is no more emancipated from the monetary system as its basis than Protestantism is from the foundations of Catholicism. (*CIII*, p.727)

Apart from all the historical specificities of the dollar-based international credit system and the role of US public debt on the world market, the contemporary relevance of Marx's analysis becomes almost self-evident after the 2007-8 global crisis. The fact that "real money is always world-market money, and credit money always depends on this world-market money" (*CIII,* p. 670) was overtly spelled out by Alan Greenspan[21] in 2014: "Gold is currency. It is still, by all evidence, a premier currency. No fiat currency, including the dollar, can match it".

4 Conclusion

This paper, from an analysis of Marx's *Capital,* locates the relation between the state and the money market as a crucial mediating element of the national and international spheres of capital accumulation. However, the analytical developments in this article bring about the necessity of further research on the dynamics of global money capital flows for industrial, commercial and "financial" investments (and their correspondent revenue flows) and how these flows interact with distinct conditions of capital valorization in different countries, which requires its expression in the form of world money. This seems central for unfolding the mechanisms of value creation and appropriation worldwide, particularly the ones that involve transfers of surplus-value from the "Global South" to the "Global North". Looking at how state's interventions in the labour-market, commodity-market and money-market directly or indirectly create barriers to the process of equalization on the global level and hence maintain and reproduce different conditions of accumulation for the global capital is possibly a fruitful starting point.

[21] Alan Greenspan was the Chairman of the Federal Reserve of the United States from 1987-2006. The quote is from the interview carried out by the US Managing Editor of the *Financial Times*, Gillian Tett, on 29 October 2014 at the US Council of Foreign Relations.

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