**Money and money-capital in credit systems[[1]](#footnote-1).**

*Paulo Nakatani[[2]](#footnote-2)*

*In bearing interest capital, the capital relationship reaches its most alienated and fetishistic form [...]. Capital appears as the mysterious source of its own increase, self-creating interest. The object (money, commodity, value) is already capital as object, and capital appears as a simple thing; […] In the form of interest bearing capital, therefore, this automatic fetish is elaborated in its purity, value that values itself, money that generates money, and bears no mark of its birth. The social relationship is consummated as a relation of an object, of money, with itself. (MARX, 1986, p. 293-4)*

**Summary:** This paper discusses money and its continuing transformation into money-capital within the dynamics of the process of circulation and expanding reproduction of capital in general. We deal with money in the current phase of capitalism and the consequences of state intervention through the substitution of money with forced paper currency, as much nationally as internationally, by the transformation of the Dollar into a world money. The expansion of the financial sphere as one of the forms of accumulation and the excessive growth of fictitious forms of capital. State intervention allowed the recovery of capital in the financial sphere without it happening in the sphere of reality.

 **Key words:** money, money-capital, interest rates, contemporary capitalism, quantitative easing

**I Introduction**

In the wake of the US financial crisis that exploded in 2007/2008, the United States put in place a monetary policy in which the prime rate was set at a minimum level (between zero and 0.25% from December 2008) and carried out a massive monetization of public and private debt (the three periods of quantitative easing, which according to data to July 2014, expanded the monetary base by more than three trillion dollars).

The continuing crisis of capitalism was revealed through its manifestation in Europe from 2011, and has shown itself through its devastating impacts on the sovereign debt of some countries, particularly in the so-called PIGS: Portugal, Ireland, Greece and Spain (GONTIJO; OLIVEIRA, 2012).

The European Central Bank (ECB), which had been lowering its basic interest rate since 2011 then brought it down to 0.5% in 2014, the lowest level ever. Associated with this, it announced in early 2015, that it would be taking the same measures as the U.S. Federal Reserve (FED), a European *quantitative easing*, buying public and private debt securities at a total of 60 billion euros per month until September 2016 a total of almost 1.2 trillion euros. By doing so, the ECB followed a part of the monetary policies implemented long ago by Japan, and by the United Kingdom from 2009 (ALLEN, 2015).

In this paper, we deal with monetary expansion, how it is carried out and how it enters the circuit of industrial capital and the autonomous forms of money, money-capital, productive capital and commodity capital. We will discuss the role of reducing basic interest rates in the credit system, at a time of sharp capital crisis, to levels intended to bring about periods of confidence and an expansion of industrial capital and its autonomous form of money-capital. We will see later that these monetary policy measures, instead of stimulating and allowing the accumulation of real capital, which was already at the limits of over-accumulation, in fact provided for the accumulation of fictitious forms of capital. Therefore, the monetary policy measures already taken have allowed those parts of capital that reproduce in these fictitious forms to return to pre-2008 levels, overcoming the losses resulting from their devaluation during the crisis.

**II Money and Money-Capital**

One of the great difficulties of conventional, orthodox, and even heterodox economic theory is the treatment of money[[3]](#footnote-3) and money-capital. In these current theories, money is money[[4]](#footnote-4) and capital is capital. The actual dynamics of these categories, in fact, demand that we have recourse to a method and theory of value that really gives due support to the unravelling of the internal dynamics of the contradictions of these forms of value. The neoclassical theory or subjective theory of value, constructed using deductive and metaphysical methods, do not allow the historicity of these categories and the transformations that arise from their internal contradictions. So according to this concept, money and capital cannot be understood, either theoretically or historically, as a process of constant transformation from one form to another, not only theoretically but also concretely in the material reality of societies, in which wealth assumes different forms in the general circuit of capital in support of the whole development of capitalist societies.

We begin, then, with the Marxist theory of value and money as the form of expression of value that crystallizes in a monetary form[[5]](#footnote-5). This monetary form "[...] Consists of supplying the world of commodity with the material for its expression of value or in representing the values of commodities as quantities of the same denomination, qualitatively equal and quantitatively comparable” (MARX, 1985, p. 87). However, money as money[[6]](#footnote-6), acting as a means of circulation, brings into play the opposition between its contradictory and fundamental elements, that is, money as a measure of value and money as a standard of prices. So, in addition to the attrition resulting from the function of money as a means of circulation, fraud[[7]](#footnote-7) can accelerate the separation or deepen the contradiction between "The name ‘gold’ and substance ‘gold’, nominal content and actual content, begin their process of dissociation. Gold coins of the same denomination assume unequal value, because they have different weights" (MARX, 1985, p. 107).

The solution of this internal contradiction, particular of money, is solved with a change from quantity to quality. The more gold or silver coins wear out or are counterfeited, the more space opens up for completing or substitute currencies to emerge. Furthermore, the increasing demands of the accumulation of capital, raising the amount of monetary capital necessary to any individual circuit of accumulation, will gradually go beyond the mere existence of material quantities of gold[[8]](#footnote-8), silver, metals or precious commodities that have been objectively converted into money by the very development of the form of value, from the simplest form to the general and currency of value forms. In this latter form, the quantitative relationship of exchange returns to the simple form necessary for the whole process of capital accumulation and expansion.

The solution to the internal contradiction of money is found initially within the currency itself and by the interests that reveal themselves in all mercantile relationships long before even the generalization of the capital form and money as capital themselves. In the development of commerce in commodities and money, traders in money also assumed the role of guarding quantities of money (gold and silver) and issued certificates that, for various reasons, among which were convenience and security, came to circulate in the place of money. Traders of money, who later become bankers, started to issue and guarantee the circulation of ancestral forms of paper money, certificates of deposits in gold, which were later substituted for bank notes[[9]](#footnote-9), as in the era of Marx. These notes, initially convertible to gold and silver coin, which was guarded in bank vaults, have become unconvertible over the last two centuries.

 National States, after centralizing currency and monopolizing the minting and issuing of currency, passed through a similar process to the private banks, including those that functioned as central banks, in the creation of currency and in the formation of their substitutes. States created their central banks, or nationalized when they already existed in the country, as was the case for the Bank of England which was private, and gathered in gold and silver coin and issued paper money in their place, State currency, with a promise to pay the note-bearer the equivalent amount in gold or silver, money as commodity. While States had a quantity of metal equivalent to this conversion, this promise continued to exist for paper currency notes, even if they were not fulfilled. The accumulation of capital, demanding increasing volumes of money for the circulation of commodities and for the circulation and accumulation of capital, gradually overlapped in this relationship until the moment in which nation states, each in their own time, removed this convertibility[[10]](#footnote-10). This extends historically through the process of converting the dollar into a world money, convertible into gold, established by the Bretton Woods agreement in 1944 and the removal of its convertibility by Richard Nixon in 1971.

Money, or State paper money, through this process of replacing gold, has been forced to become, in the term preferred by the orthodox, fiduciary paper money.

We, for our part, prefer the term fictitious money, advanced by Eleutério Prado in his article *From the Brazilian controversy about unconvertible world money*:

The solution of this enigma therefore requires a solution within the scope of the dialectic: the contradiction that appears in the course of analysis can only be the reflection of a real contradiction: the current world money has value and does not have value, that is to say that it has a value that is merely fictitious. Thus, to gain knowledge of this contradiction one must suppress and overcome the polarity in question, arriving at the concept of fictitious money. It has, therefore, a form of value that “does not” possess value, but represents it in some way. It notes that the “value of fictitious money is normally understood by agents that act in the trading process as purchasing power (PRADO, 2013, p. 139).

This fictitious money is a modern monetary form in all national capitalist economies as well as the Dollar as a world money. “Fictitious money was born from an historical inversion in the order of representation: paper money ceases to be a sign of gold and was forced to transform into currency whose formal counterpart is an incalculable State debt" (PRADO, 2013, p. 142). In this form, State currency is also converted into a form of debt, which is one of the mechanisms in the operation of Central Bank’s monetary policies: its continued conversion of debt into money and vice-versa. The debt presents as securities with remuneration and maturity, and the form of money consists of debt with no remuneration and no maturity, both in its paper form and as deposits[[11]](#footnote-11). Therefore, what we call money is not strictly money anymore, it is currently one of the forms of state debt.

The whole process of issuing bonds and money in the different, more developed national states, has in fact already been replaced by accounting records. Milton Friedman, however, imagined the creation of money as something *fallen from the sky*. To explain the primary creation of money he constructed the following example: “Let’s suppose […] that one day a helicopter overflew our hypothetical community […] and threw more money from the sky […]” (FRIEDMAN, 1994, p. 39). But it is not only Friedman that values this idea. Ben Bernanke, ex-president of the FED, was nicknamed *Helicopter Ben* when he launched *quantitative* *easing* (ALLEN, 2015).

**III The impacts of the *quantitative easing* policy: the metamorphosis of money-capital into money**

One of the economic intervention tools of central banks is the open market, in which it daily buys and sells debt securities, mainly of national treasuries, in a continuous process of conversion of remunerated debt into non-remunerated debt, i.e. a continual transformation of money into interest bearing money-capital and vice versa.

The purchase of securities in this market, payments made on account of national treasury operations, the purchase of foreign currency to accumulate reserves,[[12]](#footnote-12) and loans of last resort are moments in which the Central Bank creates money and expands the monetary base. According to the conventional view, the expansion of the monetary base (M0) would increase the volume of means of payments (M1) or the liquidity of the economy through a multiplier effect that works in a system called fractional reserves. These measures were adopted by the FED, along with a reduction in the basic rate of interest. They should expand the demand for consumer goods through increased credit and inflationary pressure, producing a devaluation of the dollar, facilitating US exports and stimulating the growth of the US economy.

According to the FED (Graph 1.), the expected effect of the quantitative easing policy, i.e. the increase in M1 due to the growth of the monetary base did not occur to the extent that it should have. The monetary base exceeded M1 from 2008 and the effect of the monetary multiplier became negative, a case that does not even appear in text books on monetary theory.

If the expansion of the monetary base had led to an increase in final demand through a reduction of the interest rate and an increase in credit, this FED expansion could have helped to complete the circuit of commodity capital, represented by C’ - M’[[13]](#footnote-13). But only if, beforehand, as a necessary condition, there had been a phase of capital appreciation in the circuit of productive capital[[14]](#footnote-14). At this phase of the circuit, a mass of commodities produced, with surplus value, would need to be converted into cash. But, after the 2008 crisis, the principal goods driving the US economy, mainly homes and cars, had their production interrupted or reduced. These commodities have a peculiarity, especially in mortgages, due to the timelines for the conclusion of the C’ - M’ circuit, where C’ are houses: its impact on M’ unfolds over time through long-term real-estate financing contracts and require integration into the credit system.

**Graph 1**

**Monetary Base and Means of Payment in the USA – US$ billions**

 Source: Board of Governors of the Federal Reserve System (2000-2014). Prepared by the author.

Cars, as well as many durable consumer goods, can be considered to be of the same nature. From this point of view they are commodities that need the expansion of a credit system to finance the conclusion of the circuit of industrial capital over time. These commodities require that purchasers have a regular and predictable source of income in the long-term, which is not always possible, as was the case in the growth of defaults in the US real-estate market from 2007. The FED acquired a fair amount of these securities in the process of monetizing *quantitative easing*.

The development and the sophistication of this credit system initially allowed the creation of protection mechanisms, through insurance. These served as the basis for the roll-out of new securities, called derivatives, which became an increasingly broad field for financial speculation or betting, the so called global casino. It was this development that produced the conditions for triggering an acute crisis in the US credit system that has spread throughout the capitalist world without any prospect, as yet, of being overcome.

The violent impact of the crisis on the US credit system associated with an abrupt reduction in new construction and in production of goods, interrupted an important part of the capital circuit. This was generally in the sectors most linked to construction but also in all sectors of the economy due to the elevated degree of integration of the fractions of capital in the production of components for finished products. The economic policy measures, and particularly the three phases of quantitative easing and the reduction of the prime rate, were not sufficient for a successful return to growth in the US. The average rate of growth of US GDP was 2.88% in the five years prior to 2008 and 1.16% in the subsequent five years, rising to 1.38% when we include the growth estimated by the IMF for the year 2014.

**Table 1 – Rates of growth of GDP in countries that adopted quantitative easing policies**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Countries | 2003 | 2004 | 2005 | 2006 | 2007 | Average | 2008\* | 2009 | 2010 | 2011 | 2012 | 2013 | 2014\*\* | Average |
| UK | 4.30 | 2.45 | 2.81 | 3.04 | 2.56 | 3.03 | -0.33 | -4.31 | 1.91 | 1.65 | 0.66 | 1.73 | 2.60 | 0.71 |
| Japan | 1.69 | 2.36 | 1.30 | 1.69 | 2.19 | 1.85 | -1.04 | -5.53 | 4.65 | -0.45 | 1.75 | 1.61 | 0.10 | 0.36 |
| USA | 2.81 | 3.79 | 3.35 | 2.67 | 1.77 | 2.88 | -0.26 | -2.80 | 2.53 | 1.60 | 2.32 | 2.22 | 2.40 | 1.38 |
| Euro zone | 0.68 | 2.25 | 1.68 | 3.25 | 3.04 | 2.18 | 0.49 | -4.52 | 2.06 | 1.65 | -0.71 | -0.47 | 0.80 | -0.20 |
| World | 2.79 | 4.15 | 3.57 | 4.11 | 3.93 | 3.71 | 1.48 | -2.08 | 4.08 | 2.79 | 2.26 | 2.25 | 3.30 | 2.10 |
| \* This year was excluded from the calculation of the two averages. \*\* IMF estimates (2015).Source: World Bank http://data. worldbank.org/indicator/NY.GDP.MKTP.KD.ZG. Prepared by the author |

Thus, the huge expansion of the monetary base and the reduction of the basic nominal interest rate to almost zero did not provide any dynamism to the US economy in the years following 2008. In the same way, the same policies in the UK and Japan produced similar results, in the UK average growth fell from 3.03% before 2008 to 0.71% after 2008, and in Japan the average rates were 1.85% and 0.26% respectively, including the IMF estimates for growth in these economies in 2014.

For the purposes of comparison, we include growth estimates for the world economy and the data are similar. The results on the world economy would be equally disastrous if it were not for the sustained growth of China and the other countries, called "in development" by the World Bank, i.e. middle- or low-income countries in East Asia and the Pacific. This group of countries grew on average 9.0%/annum between 2003 and 2013, according to World Bank data (2015). In fact, they have suffered no ill effects, growing 8.5% and 7.48% on average in 2008 and 2009. Countries in the Euro zone present an even more disastrous performance, post 2008. They did not only showing negative rates of average growth in 2009, 2012 and 2013 but also a negative average for the whole period.

A fundamental element for dynamic growth in all capitalist economies is household demand for durable and nondurable consumer goods and the demand for consumption in production which depends, according to Marx, on the dynamic circuit of industrial capital M - C - M’. But this demand depends on household income and the average costs of production and not on the credit offered by the credit system. Moreover, loans taken by households for consumption signify an advance on their share in the production and distribution of future wealth, and there is no guarantee in capitalism that the current employment and income conditions of households will remain the same in the future. As well as households, capitalists could, through reductions of the interest rate, increase production and produce a resumption of economic growth.

**IV Interest rates**

After 2008, the central banks in the most developed capitalist countries reduced the basic rates of interest to the minimum. This is the conversion rate between money and money-capital in the form of government bonds, the Treasury Department in the case of the US, and private bonds in the case of banks in the Euro zone. The assumption of this policy is that when the bank reserves of commercial banks grow beyond the amount needed for day-to-day operations, banks will reduce their interest rates to attract more clients willing to take loans, either for consumption or for capital accumulation.

The interest rate is determined by interest bearing capital, a mass of wealth in the form of money that a capitalist lends to another capitalist who will put it into circulation as industrial capital, that is, in the M - C - M’ circuit. The primary determinant of the interest rate will be the division of the surplus value between the profit of the industrialist and the interest of the monetary capitalist. But, the continuation and extension of this process will gradually generate an inversion in which the interest rate that would normally be determined ex-post, after the conclusion of the M - C - M’ circuit, is now determined ex-ante. Therefore, the interest, which used to appear as the result *after* the appropriation of industrial profit, comes to be determined *beforehand*, even before the beginning of the industrial capital circuit.

“[…] the part that belongs to the functioning capitalist is determined by interest, since it is fixed by the general interest rate [...] and is presupposed in advance, before beginning the production process […]”. (MARX, 1986, p. 279). Thus, all money-capital, either in itself or borrowed, earns interest and the difference, i.e. the profit of the industrial capitalist, becomes what Marx called *profit of enterprise*. This is not then the result of exploitation of the labor force, since the capitalist also becomes a worker and is remunerated for his work in the organization of production[[15]](#footnote-15).

After the credit system is fully developed, the entire process of the formation and accumulation of interest bearing capital leaves the hands of the individual monetary capitalist, becoming centralized in the banks and other institutions. Furthermore, the primary determinant of the rate of interest no longer results from the tensions between financial and industrial capitalists. This is now determined outside this conflict, surpassed by the very development of the various autonomized forms of capital and, mainly, by State intervention through the central banks. By fixing the basic rates of interest, they determine or regulate the quantity of money-capital that will be made available to industrial capitalists, and what the actual rate of return on capital will be. So, conversely, the reduction in the basic interest rate, which regulates other rates, including market rates, is signaling that the rate of industrial profit should be lower, so discouraging the expansion of accumulation in the M - C - M’ circuit.

Although this first determination is carried out by the central banks, each of the different credit systems show their specificities, whether due to structural-historical factors, the result of oligopolization of the system or the structuring and stratification of markets by banks and other institutions competing for customers [[16]](#footnote-16) in different bands and market segments. For this reason, the study of more concrete determinants or regulation of the actual rate of interest would require greater detail for each country or region. In Table 2 we can see the more general effects of the policies of quantitative easing on the creation and expansion of domestic credit between 2008 and 2013.

**Table 2 – Credit created by credit systems as a % of GDP**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Countries** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2013/2008** |
| UK | 138.7 | 146.9 | 153.0 | 162.4 | 178.0 | 201.5 | 215.6 | 209.1 | 199.3 | 195.6 | 184.1 | -8.7 |
| Japan | 312.1 | 308.6 | 317.9 | 309.6 | 299.1 | 302.0 | 330.9 | 328.5 | 338.1 | 348.0 | 366.5 | 21.4 |
| USA | 206.6 | 212.9 | 216.3 | 226.3 | 235.7 | 216.8 | 231.4 | 227.1 | 227.2 | 232.4 | 240.5 | 11.0 |
| Euro zone | 117.2 | 118.2 | 123.2 | 126.9 | 133.7 | 137.8 | 147.2 | 150.5 | 148.2 | 148.4 | 143.6 | 4.2 |
| World | 160.2 | 158.6 | 158.5 | 158.8 | 157.6 | 152.5 | 167.0 | 163.2 | 161.9 | 165.5 | 166.6 | 9.2 |

 Source: World Bank, [2015a]. Prepared by the author.

The UK, which started its policy of quantitative easing in 2009, only monetarized debts equivalent to 14% of GDP between March 2009 and January 2010 “[…] to keep the economy breathing after the credit crisis” (ALLEN, 2015). Even so, between 2008 and 2013, total credit created by the system fell 8.7% and continued falling even after this policy was implemented. Japan pioneered the introduction this policy, having first applied it in 2001, but, after 2008, only reapplied it in 2013 (ALLEN, 2015). Japan is the country that has the highest rate of growth of domestic credit while at the same time having the lowest rate of post 2008 growth. The USA, despite having multiplied the monetary base five-fold between 2008 and 2014, shows a growth in credit of just 11%, accumulated over the last five years. So, neither the monetization of debt nor the reduction in the basic interest rate, to almost zero, have had the hoped-for effect of raising credit or to produce a significant return to growth in these economies. Interestingly, the ECB has put forward reasoning by which it hopes to obtain different results using the same instruments and measures.

The reduction of the basic interest rate from 0% to 0.25% in the US, to 0.5% in the UK, from March 2009, and from 0.3% to 0.1% in Japan, since the end of 2008, should have, as one of the monetary policy instruments and according to conventional economic wisdom, expanded credit and stimulated economic growth. This did not happen because the inclusion of interest bearing capital in the circuit of industrial capital did not happen to any significant degree in any country across almost the entire world. As such, the expansion of credit in the circuit of industrial capital, which we can represent as M - M - C … P … C’ - M’ - M’, simply did not happen in any of the economies that adopted quantitative easing. In this form, the process in which interest bearing capital would enter at the beginning and end of the M - C - M’ circuit, at a “cost” of almost zero, or even negative, does not take place, as the blockages to the expansion of capital reproduction are not in the circulation of capital but in production, the phase represented by … P…, of the circuit of industrial capital, where the development of production forces pressures, with their respective contradictory mechanisms of counter-tendencies, the tendency for rates of profit to fall.

This is happening across the global capitalist system, in which the reproduction of capital in general finds itself blocked or suspended due to the crisis in its circulation, or in particular parts or phases of the individual forms of capital. Thus, in the circuit, it is not the need for monetary capital, as a reserve fund or as idle quantities of capital, that will determine the reproduction of capital in general or of particular parts of capital. Capital already advanced in the first metamorphoses of the M - M - C - Mp/L [Means of production/Labour-power] circuit has been blocked or suspended. Therefore, there is no reason why a reduction in central bank interest rates should have a dynamic effect on the continuity of the circuit of capital reproduction. This is because the circuit has been interrupted by the crisis of realization and overproduction of capital[[17]](#footnote-17).

In a regular process of the circuits of capital, the primary creation of money, or monetization of the debt-stock of central banks, would be converted by banks into loans in the first phase C - C circuit[[18]](#footnote-18). Following this, in the second phase, the money M would be converted into commodities, means of production and labour-power, and the circuit would normally be interrupted for the carrying out of production, when the money exits the circuit, as it is completing the last C’ - M’ phase of another industrial capitalist. This money is usually deposited in a bank as “[...] Money that is interrupted in its circulation and that, therefore, is held in its monetary form” (MARX, 1985, p. 62). If this quantity of money is temporarily not necessary for the continuity of the circuit of capital accumulation, because it’s continuation would require a larger quantity of money, it will remain as an idle reserve, as “latent money-capital”. But, this is not what happened after the development of the central banks’ banking system. They maintain a, generally public, open market where they sell securities on a daily basis, exchanging them for created money cancelling out the primary creation of money, and vice versa. These operations can be for up to one day, the famous *overnight* operations, allowing the system to minimize the total amount of capital in the form of money and turn any surplus into fictitious monetary capital in the form of public debt.

If the money created by debt monetization was transformed into money-capital for the granting of credit for household consumption, the mechanism would be the same. Families would buy commodities from the industrial capitalist, who would complete his C’ - M’ circuit, would deposit that amount of money in the bank that would apply it to government bonds [[19]](#footnote-19) in the central bank.

**V The circulation of money in the global system: the transformation of money into fictitious capital**

The normal and regular functioning of the credit system, once fully developed, causes any amount of money created beyond what is necessary for the circulation of goods and capital to be canceled out or converted into interest bearing securities. Of course, many still prefer to keep their savings in the form of paper money, ideally as world money, a role which was assumed by the convertible US dollar into until 1971 and then by the unconvertible US dollar. For this reason, a part of the US currency base, and other currencies, consisting of printed paper money, is distributed all over the world[[20]](#footnote-20).

**a) Share capital**

The circulation of money and monetary capital in the international system has passed through several markets and has been accumulating mainly in the form of bonds that make up a gigantic mass of interest bearing capital in the form of fictitious capital. This capital initially developed in the stock market, through the capitalization and speculation on the market value in the shares of large corporations and banks both on national stock exchanges and on international markets. According to data available up to 2012, compiled by the World Bank[[21]](#footnote-21), the total value of shares came to US$ 53.2 trillion dollars, for a global GDP estimated at US$ 73.5 in 2012.

This form of fictitious capital is what we today call the *market value* of a company organized as a corporation or public company. This *market value* is obtained by multiplying the prices of shares quoted on the stock exchange by the number of shares issued. So, the extent to which a company manages to raise its profits and the dividends will consequently cause stock price increases, i.e. the quotation on the stock market is determined, primarily, by the capitalization of the dividends at the current interest rate. Secondly, speculation in the stock market increases other determinants. Speculating that dividends may be higher than expected raises the price of stocks, and raising their prices leads to further betting that prices will be yet higher in the future. These movements can accentuate and push up stock market prices, for example, when money is left over from bank reserves and these are directed to stock exchanges. Quantitative easing is an instrument in which the monetization of debts accumulated in banks are converted into money, augmenting bank reserves. This is probably one of the results of this policy, since in 2006 share value for the world economy was US$ 53.4 trillion dollars, this fell to US$ 34.9 trillion in 2009 and returned US$ 53.1 trillion in 2012.

In North America, and in particular in the USA, total share value fell from US$ 19.4 trillion in 2006 to US$ 11.7 trillion in 2008 returning to US$ 18.7 trillion in 2012, greater than it was in 2005. In the UK the result of the stock market recovery was very similar. Share value which was US$ 3.8 trillion in 2006 fell to US$ 1.9 trillion in 2009 resulting from the fall in 2008. In 2010 share value passed US$ 3.0 trillion and held this level until 2012. The Euro zone, which only began a policy of monetary expansion in 2015, does not show any recovery post the 2008 crash. In 2006 share value on Euro zone country’s stock exchanges showed a capitalization of US$ 8.7 trillion, this total fell to US$ 5.2 trillion in 2008 rising to US$ 6.3 trillion in 2012, a devaluation of 27.6%.

**b) Bank capital**

In addition to share capital, another very important form of fictitious capital is internationalized banking assets, see Table 3. Practically all of this gigantic quantity of bank capital is, according to Marx, fictitious capital[[22]](#footnote-22), since it is made up of public and private bonds that represent duplicates of capital value already consumed i.e. fictitious money. We also include here the assets of non-banking institutions as compiled by the Bank for International Settlements (BIS). According to BIS data the total assets of banks and financial institutions of 44 countries or special regions[[23]](#footnote-23), among them the major world economies, excluding continental China, were US$ 37.4 trillion in 2007. Post 2008 this total suffered a relatively significant fall until 2009 and maintained itself between US$ 33.0 and 34.0 trillion. Furthermore, the main components of these assets exhibit similar behavior without any significant variation between them, as we can see in the Table below.

**Table 3 – Total assets of bank and other financial institutions (US$ billions),**

**Summary of international positions**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Catagory** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **jun./14** |
| Total assets | 37,439 | 35,266 | 33,838 | 34,036 | 34,163 | 33,505 | 33,443 | 34,438 |
|  Banks | 23,340 | 22,252 | 21,085 | 21,045 | 21,227 | 19,838 | 19,527 | 20,057 |
|  Other institutions | 14,099 | 13,013 | 12,754 | 12,991 | 12,936 | 13,667 | 13,916 | 14,381 |
| External assets | 33,494 | 31,193 | 30,077 | 29,758 | 29,841 | 29,211 | 28,997 | 29,939 |
|  Banks | 21,472 | 20,266 | 19,251 | 18,823 | 18,916 | 17,613 | 17,213 | 17,673 |
|  Other institutions | 12,022 | 10,928 | 10,828 | 10,935 | 10,925 | 11,598 | 11,784 | 12,266 |
| Local assets in foreign currency | 3,945 | 4,072 | 3,760 | 3,839 | 3,906 | 4,006 | 4,123 | 4,153 |
|  Banks | 1,868 | 1,987 | 1,834 | 1,827 | 1,950 | 1,954 | 2,032 | 2,082 |
|  Other institutions | 2,077 | 2,086 | 1,926 | 2,013 | 1,956 | 2,052 | 2,091 | 2,071 |

Source: BIS (2012-204). Quarterly review. Various numbers. Table 1: BIS reporting Banks. Prepared by the author.

Of the total international assets of the system, more than 80% are external assets of banks and other financial institutions, with an average of 87.8% of the total between 2007 and June 2014. This share was 89.46% in 2007, falling to 86.94% in June 2014. If we consider the countries of origin of the banks and institutions holding these assets, more than 55% are concentrated in five of the forty-four countries or regions that provide the information to the BIS: UK, Japan, USA, France and Germany, in order of importance, in June 2014, see Table 4. In addition to these highly developed capitalist countries, we find a second group of countries or regions that represent more than 16% of foreign assets, among these Cayman Islands and Hong Kong are classified by the Brazilian government as tax havens, Switzerland and the Netherlands were previously included but were excluded from this classification.

**Table 4 – External positions of banks in all currencies**

**vis-à-vis all sectors (billions US$)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **External assets** | **2012** | **2013** | **Mar/14** | **June/14** |
| All countries | 29,210.7 | 28,996.6 | 29,609.9 | 29,939.2 |
| USA | 3,186.1 | 3,165.6 | 3,207.2 | 3,190.2 |
| UK | 5,376.6 | 4,927.4 | 5,021.1 | 5,079.3 |
| Japan | 3,250.8 | 3,188.5 | 3,238.4 | 3,250.4 |
| Germany | 2,456.0 | 2,483.3 | 2,535.2 | 2,586.0 |
| France | 2,363.2 | 2,465.6 | 2,585.9 | 2,597.0 |
| Subtotal | 16,632.7 | 16,230.4 | 16,587.8 | 16,702.9 |
| **Subtotal in %**  | **56.9** | **56.0** | **56.0** | **55.8** |
| Cayman Islands | 1,409.3 | 1,376.6 | 1,416.0 | 1,365.3 |
| Hong Kong SAR | 984.5 | 1,132.8 | 1,171.3 | 1,224.1 |
| Netherlands | 1,163.6 | 1,116.6 | 1,215.1 | 1,278.7 |
| Switzerland | 684.7 | 1,020.3 | 1,001.3 | 985.1 |
| Subtotal | 4,242.1 | 4,646.3 | 4,803.7 | 4,853.2 |
| **Subtotal in %**  | **14.5** | **16.0** | **16.2** | **16.2** |

 Source: BIS (2014). Quarterly review. Table 2A. Prepared by the author.

**c) Public debt**

Among the different forms of fictitious capital, public debt has become one of the fundamentally important mechanisms for the recovery or rescue of private capital, both in the sphere of production and in the sphere of finance, and even in the form of fictitious capital. We have seen that, with the nationalization of the monetary system itself and the centralization of the issuance of forced-exchange State currencies, these are already a form of debt.

Thus, the entire process of money creation and its circulation in the spheres of production and finance, such as money-capital and fictitious capital, rests, at least in part, in central banks that cancel out any excess currency created through their conversion into debt, treasury bonds or in the central banks themselves. Not all central banks can issue their own bonds. In Brazil, for example, after the introduction of neoliberal policies, the Brazilian central bank could no longer issue securities to carry out monetary policy[[24]](#footnote-24), this is done through securities issued by the National Treasury. In the Euro zone central banks cannot finance their own governments through the acquisition of securities of their respective treasuries, it is the private banks that buy these securities that make up the public debt of the respective countries.

If we look at the behavior of public debt in some countries and in the Euro zone, see Table 5 constructed from the graphs drawn up by LEAP and presented in the GEAB 92 bulletin, we see that growth accelerated in all countries, except China and Germany whose debt-to-GDP ratios increased by 4.8 and 8.9 percentage points, respectively, between 2006 and 2014. On the other hand, debt growth as a percentage of GDP in Japan stands out, an increase of 51.9%, which reached 227.2% of GDP in 2014. In the United States, this growth was 38.2%, which raised public debt to 101.5% of GDP, also in 2014. The euro area, even without quantitative easing policies, had a very large growth in public debt. This rose from 70.2% of GDP in 2006 to 90.9% in 2014, an increase of 20.7% in the period.

**Table 5 – Public Debt as a % of GDP – selected countries**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Countries** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** |
| Japan | 175.3 | 172.1 | 167.0 | 174.1 | 194.1 | 200.0 | 211.7 | 218.8 | 227.2 |
| USA | 63.3 | 63.9 | 64.8 | 76.0 | 87.1 | 95.2 | 99.4 | 100.1 | 101.5 |
| France | 66.4 | 63.7 | 63.9 | 68.2 | 79.2 | 81.5 | 85.0 | 89.2 | 92.2 |
| Germany | 68.0 | 67.6 | 64.9 | 66.8 | 74.5 | 80.3 | 77.6 | 79.0 | 76.9 |
| Euro zone | 70.2 | 68.5 | 66.2 | 70.1 | 80.0 | 83.7 | 85.8 | 89.0 | 90.9 |
| China | 17.6 | 16.2 | 19.6 | 17.0 | 17.7 | 33.5 | 28.7 | 26.0 | 22.4 |
|  |  |  |  |  |  |  |  |  |  |

Source: GEAB (2015, p. 23).

**d) The International Currency Markets**

 The development of the exchange market generated a huge, and continually growing, volume of business in the international exchange market. Since most are derivatives, only a portion of this market requires that currency transaction grow as the total volume of business increases. Graph 2 shows that this market was not affected by the crisis between 2008 and 2009, but continued to grow reaching an average daily turnover of US$ 5.4 trillion in April 2013. This result is due in part to the monetization of debt, in dollars, in the quantitative easing program between 2008 and 2014. For reference, world GDP in 2013 was estimated at US$ 75.6 trillion, total of world exports were US$ 22.6 trillion, and total world imports for the same year amounted to US$ 22.5 trillion[[25]](#footnote-25). The total currency transacted in the world exchange market required to function as a means of circulation for imports and exports would correspond only to 8.4 business days, not to mention that as a means of circulation the same dollar can carry out more than on operation during the year.

The four main currencies negotiated in the exchange market, since 2001 when the euro was adopted, are the dollar, euro, yen and pound sterling, representing between 82.2%, in 2001, and 77.7%, in 2013, of the total business[[26]](#footnote-26) among the 35 currencies considered by BIS surveys. These four currencies lost only 4.5% of the market. Graph 3 shows that the US$ remains the main currency traded, losing only 1.4% in relation to 2001, unlike the euro (EUR) that lost 2.3%, the pound sterling (GBP) and the Japanese yen (JPY) were the currencies that lost least, 0.6% and 0.2% points, respectively.

**Graph 2 – Volume of business on the world Exchange market**

**Daily average in April, in US$ billions**

 Source: BIS (2014). Prepared by the author.

Beyond these four currencies the Australian dollar, Swiss Franc and Canadian dollar occupy fifth to seventh positions in 2013. Together they make up 9.2% of the Market and have alternated in these three positions since 2001. So, if this market is truly representative of the importance of these currencies in the market and as a reserve currency, then the crisis did not affect them in any important or significant way, neither did it change the relative weighting among them, nor did it put the dollar as a world money at serious risk.

**Graph 3. Participation of the four principal currencies in the world exchange market**

**Daily average in April in %**

Source: BIS (2014). Prepared by the author.

**e) Derivatives**

The international Derivatives Market, in its over-the-counter (OTC) operations, also did not suffer any significant loss when we look at the total estimated stock in December of each year. This, so-called, notional amount rose from US$ 595.3 trillion in 2007 to US$ 603.9 trillion in 2009, peaking at US$ 710.6 trillion in 2013 and falling slightly to US$ 691.5 trillion, in June 2014. Between 2007 and 2013 the growth of the total balance of OTC Derivatives was 19.4% and reached almost ten times world GDP in 2013. As is known, a small portion of these contracts refer to hedging operations, in which exchange or commodity contracts, for example, are set up to guarantee the availability of currency at a certain exchange rate or a quantity of commodities at a certain price in the future. But most are speculations on future interest rates, exchange rates or commodity futures prices.

Some of these derivatives are traded on stock exchanges which are supervised by regulatory authorities (central banks, securities commissions, etc.) and another part is traded in over-the-counter (OTC) markets, where the regulatory power of the authorities is much smaller. Derivatives traded on exchanges are standardized, while derivatives traded in over-the-counter markets do not conform to a standardization and are customized to the need of the players involved in the transaction. About 1,700 different types of derivatives are traded on the world's largest derivatives exchanges. In the case of OTC derivatives, the possibilities are limitless, since they are designed to meet the specific needs of investors (ROGÊ, 2012, non-paged).

As we can see in Table 6, most transactions are concentrated in contracts that deal with interest rates, these represent 66.0% of the 2007 total and rose gradually to reach 82.3% in 2013, falling back to 81.6% in June 2014. Exchange derivatives are in second place, with an average participation of 9% in each year. Credit Default Swap (CDS) contracts were much more important than exchange transactions in 2007, but were losing importance due to their role in the 2008 crisis, since 2012 they have represented less than 0.5% of the total.

**Table 6. Balances of OTC Derivatives (Notional Value in US$ billions)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Catagories** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **jun./14** |
| Exchange | 56,238 | 49,753 | 49,181 | 57,796 | 63,349 | 67,358 | 70,553 | 74,782 |
| Interest rates | 393,138 | 418,678 | 449,875 | 465,260 | 504,117 | 492,605 | 584,799 | 563,290 |
| Commodities | 8,455 | 4,427 | 2,944 | 2,922 | 3,091 | 6,251 | 6,560 | 6,941 |
| CDS | 57,894 | 41,868 | 32,693 | 29,898 | 28,626 | 2,587 | 2,204 | 2,206 |
| Others | 79,616 | 77,237 | 69,207 | 45,170 | 48,592 | 66,883 | 46,516 | 44,272 |
| **Total** | **595,341** | **591,963** | **603,900** | **601,046** | **647,775** | **635,684** | **710,632** | **691,491** |

Fonte: BIS (2014). Prepared by the author.

It should be noted that, even though they are not very important in the over-the-counter market, commodity derivatives have gradually regained their importance, reaching 1% of the total in June 2014. Furthermore, data does not include derivatives traded on commodities and futures exchanges. Also, Exchange Derivatives do not include the related derivatives traded on the exchange. In other words, trading in both organized and regulated derivatives market on the stock exchanges and deregulated derivatives market affect interest rates, exchange rates and commodity prices. Moreover, it also affects the circuit of capital in general, insofar as it requires a remuneration derived partly from the surplus value and partly from fictitious values[[27]](#footnote-27).

**Final considerations**

The development of the form of value and its effects on the form of money, leads to the fetishism for commodity and money, but it is not the final form of fetishism and alienation. The process of the conversion of money into capital is a new property that money acquires in the circuit of the reproduction of capital in general and private capital that develops into the more fetishized form of interest bearing capital. Interest bearing capital, in the first instance, functions as commodity capital, which by its use, provides for the production of surplus, the surplus value. But is already begins to cover-up, hide and disguise the origin of the surplus value. Therefore, in the interest-bearing capital circuit M - M’, the whole process of production of value and wealth is concealed and it seems that it is the money itself that gains values, that it has acquired a new property, that of multiplying on its own. This concept is present in modern economic science and appears to be common sense.

This whole process evolved with the development of money as a support for exchanges, circulation of commodities, and finally the accumulation of capital. Initially, to function as money, it acted as a pricing standard through physical quantities of materials such as gold or silver. The internal contradiction of currencies encouraged the substitution of money for a proxy, paper currency, and the price standard ends up working as cash, or money. The dissociation of moments C - M and M - C in the circulation of goods, the ability to buy without paying at the time of purchase and the separation of the transformation of commodities at distinct moments in time, led to the emergence of credit money, which also functions as a substitute for money itself. This means that fictitious money is not only State money, but is also private money created in the market by the credit system.

Thus, continuing capital accumulation and the transformations of money lead to the more fetishized forms of fictitious money, which allow and accelerate the accumulation of real capital by advancing the possibilities of future gains. The development of this real capital that expands and accumulates in fictitious forms becomes capital that appears to be debt and even as contracts on commodities or values that do not exist. These are the forms of fictitious capital that we discussed in the paper.

In the real world, this process requires continuous development of the exploitation of the labor force through pressure to increase the productivity of workers, to extend working life, and by making labor relations and working conditions more precarious. In addition, to maintain capital remuneration, and pressured by the tendency for the rate of profit to fall, the creation of fictitious profits is continually built up, further increasing the degree of alienation of the ruling classes and their allies.

 From the point of view of the class groups and factions[[28]](#footnote-28) that are in charge of the capitalist state, it is capable of redirecting accumulation, suppressing its contradictions, and steering capitalism to a new phase of prosperity and well-being with social justice, justifications for the monetary policies of reducing the basic rate of interest and quantitative easing are the testimony. Submission to these policies implies the adoption of so-called fiscal adjustment policies (to reduce state indebtedness) and austerity (to create or raise a primary surplus that increases the transfer of surplus value to fictitious capitals). These economic policy measures not only have not shown the expected results, in terms of resuming the real accumulation of capital and raising employment and income levels but, in some cases, they have further increased indebtedness and further penalized the working class.

We consider that contemporary capitalism is at a stage where its old progressive productive forces have already reached the limit of their development[[29]](#footnote-29) and that all these policies and alternatives sought for the reconstitution of private capital and capital in general do nothing for the progress of society. It is necessary for modern societies, in addition to overcoming other contemporary crises such as food, energy, water, and the environment in general, to begin to look for alternatives to the form of society founded on capital and, therefore, on the private ownership of the means of production.

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1. This text revisits several points and updates the data of the article produced with Helder Gomes: The nature and contradictions of the capitalist crisis (2014). [↑](#footnote-ref-1)
2. Professor of the Department of Economics and of the Post-Graduate Programme in Social Policy at Federal University of Espírito Santo (UFES). [↑](#footnote-ref-2)
3. It is curious how the orthodox or conventional *definition* of money has hardly changed for centuries. We can compare the text of Nicole Oresme, published in 1355, and that of Fernando Cardim de Carvalho et al., in 2007, the definition is practically the same: "[…] men began to trade and exchange their riches, without coins, one of them giving a sheep to another for wheat [...]. However, as difficulties and controversies arose in this form of exchange and interchange of goods, ingenious men discovered a more agile way of doing it, that is, making use of money [...]" (ORESME, 1355, p. 35-36). "[...] in the face of unexpected rain, an individual willing to buy an umbrella and having a surplus in oranges would have to find someone with a surplus of umbrellas and who wished to exchange [...] a part of this surplus for oranges. This kind of coincidence is called a mutual and complementary coincidence of needs [...] The function of medium of exchanges is a basic function of money." (CARDIM DE CARVALHO, p. 2). [↑](#footnote-ref-3)
4. For Marx, " Money [...] can be transformed into capital on the basis of capitalist production and, by virtue of this transformation, go from a given value to a value that values itself, which multiplies. It produces profit, that is, it enables the capitalist to extract from the workers a certain amount of unpaid labor, more product and surplus value, and appropriate it. Thus, it acquires, in addition to its use value as money, an additional value of use, namely, to function as capital" (MARX, 1986, p. 255). [↑](#footnote-ref-4)
5. "The social action of all other commodities, therefore, excludes certain commodities to universally represent their values. The natural form of this commodity thus becomes the equivalent socially valid form. To be a general equivalent becomes, through the social process, a specifically social function of the excluded commodity. So, it becomes - money” (MARX, 1985, p. 81). [↑](#footnote-ref-5)
6. Although we are using the terms currency and money as synonyms, we nevertheless seek to maintain the distinction made by Marx: "In the various national uniforms clothed with gold and silver as coins and from which they are undressed on the world market, there appears to be a divorce between the internal or national spheres of circulation of commodities and their general sphere, the world market" (MARX, 1985, p. 107). [↑](#footnote-ref-6)
7. We can make an analogy between the falsification of the gold coins and the excess of paper money as a cause of the rise in prices, because: "A specific law of paper circulation can only originate from its relation of representativeness to gold. And the law is simply this: that the issuance of paper money should be limited to the quantity in which gold (or silver), symbolically represented by it, really would have to circulate (MARX, 1985, p. 109). [↑](#footnote-ref-7)
8. There are no statistics recognised by different countries or fully accepted by analysts regarding the stocks of gold held in central banks. Data from 2012 indicates that they hold around 32,000 tonnes of gold. The government of the USA has about 9,000 tonnes, the equivalent of $550B, according to 2011 data (VEJA…, 2011). This represents around 20% of the balance of the monetary base created by the FED up to 2011. [↑](#footnote-ref-8)
9. Curiously these bank notes, issued by private banks like HSBC and Standard Chartered Bank, still circulate regularly in Hong Kong. They bear a promise of payment like the old notes that were convertible into gold: *promises to pay the bearer on demand at its office in Hong Kong*. Hong Kong Dollar notes issued by the Central Bank of China do not bear this inscription. [↑](#footnote-ref-9)
10. "The metallic content of the silver and copper tokens is arbitrarily determined by law. In circulation, they wear out even faster than the gold coin. And, therefore, its monetary function becomes in fact, totally independent of its weight, that is, of all value. [...] Relatively worthless things, paper tickets, can therefore, instead, function as currency. In the metallic tokens of money, the purely symbolic character is still to some extent hidden. In the paper currency, it reveals itself fully. It is only here the currency of the State with a forced course" (MARX, 1985, p. 108). [↑](#footnote-ref-10)
11. Historically these two forms were manifested as printed papers, as debt securities and paper money. Currently, there is no longer any defined relationship. Debt securities are simply records in the databases of credit system computers and money (currency created, issued and in circulation) is recorded as deposits in the same system and can be operationalized by the paper money itself, by checks and by debit cards. Credit cards are a private form of money creation, within their payment deadlines and their spending limits. [↑](#footnote-ref-11)
12. We must emphasize here that international reserves are accumulated in gold, in other currencies and preferentially in dollars, the world money, but in the form of debt securities of the States or the banks that issue them. For example, dollar reserves are accumulated in dollar-denominated securities, in particular those issued by the US Treasury. [↑](#footnote-ref-12)
13. The circuit of capital is represented by M - C - M´ (Money-Commodity-More money) [↑](#footnote-ref-13)
14. See Marx, Section I – The metamorphosis of capital and its circuit (MARX, 1985a, p.25-88). [↑](#footnote-ref-14)
15. "Therefore, he necessarily develops in his head the concept that his business gain [...] is much more salary even, wage of superintendence, [...], wage higher than that of ordinary salaried worker, 1) Because it is more complicated work, and 2) because he himself pays the salary” (MARX, 1986, p. 284). [↑](#footnote-ref-15)
16. In Brazil, for example, banks do not make long-term loans for the purpose of accumulating capital, i.e. D lent to initiate the M - M - C - M’ - M’ circuit. This market is dealt with by the National Bank of Economic and Social Development (BNDES) and the rate of interest is fixed administratively by the National Monetary Council. While in January 2015, the basic rate of interest was raised to 12.25%, BNDES is charging 5.0% on the majority of the 37% of total loans to companies. The State banks (Banco do Brasil, Caixa Econômica Federal and BNDES) are responsible for more than 50% of the credit granted by the banking system. In December 2014 interest rates on loans made by private banks with free resources, which do not receive a subsidy from the Treasury, averaged 43.4% per year for individuals and 23.3% for companies. [↑](#footnote-ref-16)
17. It appears that we already have “The day in which the abundance of capital will interfere with the abundance of production could be postponed as the millionaires find satisfaction in building vast mansions in which to live while alive and pyramids in which to gather after their deaths, or repenting of their sins, raise cathedrals and endow monasteries and overseas missions” (KEYNES,1985, p.154). [↑](#footnote-ref-17)
18. We are reminded that a part of the initial capital is provided by the worker since, "In all countries with a capitalist mode of production, the labor force is paid only after it has worked the period stipulated in the contract of purchase [...] Everywhere, [...] the worker advances to the capitalist the value of the use of the labor force [...], therefore, the worker provides credit to the capitalist" (MARX, 1985, p. 143). [↑](#footnote-ref-18)
19. In fact, banks could carry out other operations, for example the purchase of shares or securities as derivatives, and money keeps circulating, first passing through the seller of the shares or securities, the seller can buy other securities or even goods or services, finally the money will be deposited in a bank, account enlarging the reserves of that bank, that will use the money again in purchasing bonds. [↑](#footnote-ref-19)
20. For example, all cash in circulation in Ecuador as paper money is in US dollars. With the formal dollarization of the economy, Ecuador in addition to divisional currencies also creates dollars through the credit system. [↑](#footnote-ref-20)
21. The data in the table were obtained by the market value of the companies, in current dollars, at the end of the year, on the respective exchanges of each of the 113 countries for which the data are available in World Bank ([2015b]). [↑](#footnote-ref-21)
22. "Most bank capital is therefore purely fictitious and consists of debt securities (bills of exchange), public debt securities (which represent past capital) and shares (rights on future income). It should not be forgotten that the monetary value of capital that these banker's strong boxes represent - even as they are rights to secure income (as in the case of public debt securities) or to the extent that they are real property (As in the case of stocks) - is completely fictitious and is regulated so as to deviate from the value of the real capital which, at least in part, they represent; Or where they represent mere right to income and not capital, the right to the same income is expressed in an always variable amount of fictitious monetary capital. Moreover, this fictitious capital of the banker, in large part, does not represent his own capital, but that of the public, who deposits it with him, with or without interest” (MARX, 1986a, p. 13). [↑](#footnote-ref-22)
23. Australia, Austria, Bahamas, Bahrain, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Chile, Taiwan, Curaçao, Cyprus, Denmark, Finland, France, Germany, Greece, Guernsey, Hong Kong SAR, India, Indonesia, Ireland, Isle of Man, Italy, Japan, Jersey, Korea, Luxembourg, Macau SAR, Malaysia, Mexico, Netherlands, Norway, Panama, Portugal, Singapore, South Africa, Spain, Switzerland, Sweden, Turkey, UK, USA. (BIS, 2014, p. A6). [↑](#footnote-ref-23)
24. In the old currency and bank manuals, there was a separation between the Central Bank bonds, used for the implementation of the monetary policy, and the Treasury bonds, used to finance budget deficits, this distinction no longer exists. [↑](#footnote-ref-24)
25. Values calculated from world GDP data at current prices in dollars and the percentage of exports and imports on GDP estimated by the World Bank (2015). [↑](#footnote-ref-25)
26. The data presented by the BIS on the participation of each currency in the market was divided by two, since each purchase has the counterpart of the sale, doubling the results. [↑](#footnote-ref-26)
27. See CARCANHOLO and SABADINI (2009). [↑](#footnote-ref-27)
28. Of course, it is not made up of a homogeneous group, but of several alternative views between state control and a fully free market, between interventionism and the free market. [↑](#footnote-ref-28)
29. Samir Amin (2001) and Jorge Beinstein (2001) call this the “senile capitalism” phase. [↑](#footnote-ref-29)