Capital as Spirit

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Abstract: In his postscript to *Capital*, Marx praised Hegel and expressed his plan to turn the idealist aspects of Hegel's dialectics on its head. This famous utterance is misleading, as he had been turning Hegelian logic on its head since he was young. Self-alienation theory and historical materialism are examples of such instances. However, the former was based on Feuerbach and the latter was led by Engels. Overturning of Hegelian dialectics in *Capital* is decisively different from any of these previous attempts and is truly unique and original. Here, Marx was faithful to the system of Hegelian dialectics, which captures self-realization of the Spirit, except for the following point; he started his exposition from the fetish of the commodity (a spirit attached to the thing) and delineated the process of it morphing into the fetish of capital (the absolute fetish).

Marx's notion of fetish is commonly taken to be a kind of metaphor or irony, but it is something real that enables credit. When commodity fetish grows into capital fetish, it dominates human society. This is especially explicit in the third volume, where along with credit's development capital becomes a commodity: that is the joint-stock capital. While faithfully following Hegel's thesis "beginning must be mediated by the end", Marx turns Hegel's logic on its head by replacing Hegel's "Spirit" with "Fetish".

Keywords: Marx, Hegel, Historical materialsim, credit, fetish, joint-stock-capitalism

1

In his postscript to the Second Edition of *Capital* (1873), Marx praises Hegel. This was a time when people treated Hegel as a "dead dog." About thirty years before this, Marx had vehemently criticized Hegel. He writes in the postscript:"{I} criticized the mystificatory side {of Hegel} nearly thirty years ago when it was still the fashion." But now he declares: "I therefore openly avowed myself the pupil of that mighty thinker, and even, here and there in the chapter on the theory of value, coquetted with the mode of expression peculiar to him. The mystification which the dialectic suffers in Hegel's hands by no means prevent him from being the first to present its general forms of motion in a comprehensive and conscious manner. With him it is standing on its head. It must be inverted, in order to discover the rational kernel within the mystical shell."

This famous utterance might be misleading, because we know that Marx had been turning Hegelian logic on its head since he was young. But the overturning of Hegel in *Capital* was decisively different, and this alone is unique to Marx.

Young Marx criticized Hegel's idealist view in such works as *On Hegel's Logic* (1843) and *Economic and Philosophical Manuscripts* (1844). The criticisms in those works, however, were basically indebted to Feuerbach. But Feuerbach's theory, as Marx himself admits, lacked "sensuous activity," which Hegel successfully grasped, albeit idealistically. Soon after writing those works, Marx claimed as follows:

> The chief defect of all hitherto materialism (that of Feuerbach included) is that the thing, reality, sensuousness, is conceived only in the form of the object or of contemplation, but not as sensuous human activity, practice, not subjectively. Hence, in contradistinction to materialism, the active side was developed by idealism---which, of course, does not know real, sensuous activity as such. (Theses on Feuerbach, 1845)

In *German Ideology* (1846), which was written after "Theses on Feuerbach," Marx and Engels presented historical materialism against Hegel's idealist view, where history is grasped as the process of the spirit or the Idea realizing itself. They saw history in terms of human "sensuous activity" and as a product of class struggle arising from relations of production. But this view was initiated by Engels. Overall, Marx did embrace historical materialism, but his position was subtly different, as can be seen in *The Eighteenth Brumaire of Louis Bonaparte* (1852). Here, Marx tried to explicate what made it possible for a man, who was nobody except that he was a nephew of Napoleon before the 1848 revolution, to become president, and later emperor. This riddle cannot be solved by the usual rationale of mode of production and class struggle. Nor was it able to explain the riddle of capitalism. There is another thing; historical materialism appears materialistic on its face but in fact clearly rests on Hegel's idealism.

By the time he turned to a critique of political economy, historical materialism for Marx was nothing more than a useful "guiding thread." Meanwhile, as I pointed out, Marx's critique of Hegel in *Capital* marks a radical departure from any of his preceding critiques of Hegel, and it is unique to Marx. At the same time, he never before was such a faithful follower of Hegel. It is not confined to "here and there in the chapter on the theory of value" that he "coquetted with the mode of expression peculiar to him Hegel ." He faithfully adheres to Hegel all the way through.

In the preface to the second edition to *Capital* that I quoted at the opening of this paper, Marx stated further; "In its mystified form, the dialectic became the fashion in Germany, because it seemed to transfigure and glorify what exists. In its rational form it is a scandal and an abomination to the bourgeoisie and its doctrinaire spokesmen, because it includes in its positive understanding of what exists a simultaneous recognition of its negation, its inevitable destruction; because it regards every historically developed form as being in a fluid state, in motion, and therefore grasps its transient aspect as well; and because it does not let itself be impressed by anything, being in its very

essence critical and revolutionary." In short, *Capital* is an attempt to grasp the "inevitable destruction" of capitalism through the "positive understanding" of capitalism itself.

If we are to see a materialist overturning of Hegelian logic here, it rests on the point that the subject of dialectic development is changed from "spirit" to "capital." In other words, *Capital* grasps the dialectical development from the fetish of the commodity to the fetish of capital. I will elaborate this in later sections, but for now just point out that Marx shed light on how an "idealist perversity" called "capitalism" was formed by faithfully following Hegel's perverse idealism.

More concretely, Marx tried to elucidate the ideal power of money and credit, and for this purpose he took exchange instead of production as the threshold of his enquiry into capitalism, although in historical materialism the latter outweighs the former. In *Capital*, Marx did not begin with the relations of production, such as the one between capitalists and workers, but rather with commodity exchange and he showed how relations of production in capitalist society were formed through the relation of exchange between money and commodity.

In standard historical materialism, the political and ideological superstructure is overdetermined by the economic base or infrastructure. But in this view, it is impossible to show why the capitalist economy is dominated by the idealist and religious power of money and credit. That is why Marx started with exchange in place of production. But the same thing applies to pre-capitalistic societies, where, however, different modes of exchange are prevalent. For instance, in primitive society the mode of reciprocal exchange is primary. In this sense, it may be said that the ideological superstructure in primitive society is directly determined by the mode of exchange as economic base. [1]

2

In reality, however, *Capital* mixes the views of preceding historical materialism and classical economics. As a result, the singularity of its position is obscured. For instance, Marx opens the book by presenting the labor value theory derived from classical economics, but promptly shifts to a different approach. It is to consider the value of commodity from exchange and value form. In other words, he explains money and capital independently of labor value theory. Yet putting labor value theory at the opening created various misunderstandings and made people overlook

1 I proposed to view the history of social formations from the perspective of modes of exchange in Karatani 2010/2014. That was an attempt to extend Marx's approach to capitalist society to the entirety of history, namely viewing it from commodity exchange (mode of exchange C in my terminology). In the book, I argued that there are four modes of exchange; A is gift and return, B is submission and protection, C is commodity exchange, and D beyond the former three. In this article, I revisited my exchange theory focusing on mode C.

why starting with the commodity was indispensable for the system of *Capital*.

Classical economists since Adam Smith found the value of the commodity in the labor invested to produce it, and they considered money simply as the denotation of such labor value. In so doing, they expunged the mystery of money. They did so to deny the preceding ruling dogma such as mercantilism and bullionism. Classical economists tried to enlighten people to deliver them from religious illusion in economics. For that matter, when young Marx applied Feuerbach's critique of religion to economics, he was simply following the line of thought of classical economists. The same is true of contemporary socialists, such as, Robert Owen, Proudhon, and the Ricardian socialists. They believed that capitalism could be superseded if only money were replaced by labor vouchers.

By contrast, Marx in *Capital* did not dismiss the question of money so readily, even while valuing the labor theory of classical economy. He believed that the secret of capitalism lies in the mystery of money. In this regard, it may be said that Marx returned to mercantilism and bullionism, which Adam Smith had rejected with mere ridicule. Bullionists are grounded in the recognition that money has power in its own right; the right to obtain other goods with it. The drive to accumulate this power propels capital's movement (metamorphosis). But why is it that money has such a power?

In his youth, Marx discussed money, quoting Shakespeare's "Timon of Athens" as follows.

Shakespeare stresses especially two properties of money:

1. It is the visible divinity – the transformation of all human and natural properties into their contraries, the universal confounding and distorting of things: impossibilities are soldered together by it.

2. It is the common whore, the common procurer of people and nations.

> The distorting and confounding of all human and natural qualities, the fraternization of impossibilities – the divine power of money – lies in its character as men's estranged, alienating and self-disposing species-nature. Money is the alienated ability of mankind.

This is clearly Marx's application of the Feuerbachian critique of religion to money. And just as Feuerbach's materialist inversion of Hegel remained within the framework of Hegel's thought, Marx also remained here within the framework of classical economics, even as he criticized it with great fanfare.

However, Marx in *Capital* is different. There were quite a few thinkers who pondered the riddle of money. But Marx was the first to trace it to the commodity, which appears so "obvious" and "trivial" that

nobody had really paid attention to it. "A commodity appears at first sight an extremely obvious, trivial thing. But its analysis brings out that it is a very strange thing, abounding in metaphysical subtleties and theological niceties" (*Capital 1*, p163).

A commodity is not a mere object. It is a form that a thing takes when exchanged. The thing is a "sensuous matter," but "as soon as it changes into commodity, it changes into a thing which transcends sensuousness." Something like a spirit attaches to the thing. "I call this the fetishism which attaches itself to the products of labor as soon as they are produced as commodities, and is therefore inseparable from the production of commodities."(p165). "The riddle of the money fetish is the riddle of the commodity fetish, now become visible and dazzling to our eyes" (p187).

Needless to say, examining commodity fetishism means scrutinizing commodity exchange. It appears that Marx gives priority to production. But when he does so, he focuses on "commodity production," which is executed for the purpose of being exchanged. Marx writes: "The use-value of a thing is realized without exchange, i.e. in the direct relation between the thing and man, while, inversely, its value s realized only in exchange, i.e. in a social process." (p 177) The riddle of the commodity is sought in exchange, not in production. We who live in modern societies are so used to the market economy that we take for granted that money came into existence through the process of commodity exchange. But we should question how the exchange of things was made possible in society in the first place.

Marx stressed that commodity exchange takes place between communities. "The exchange of commodities begins where communities have their boundaries, at the points of contact with other communities." (p182) However, this is not confined to commodity exchange. Such is also the case with gift and return (reciprocity). Exchange of any kind is not conducted within a hunter-gatherer community, where the products are pooled and equally distributed. Such community remains today as families. So it should be noted that the exchange of any kind begins between different communities, in other words, with unfamiliar, uncanny others. How is this sort of exchange possible, then?

The anthropologist Marcel Mauss identified the primordial exchange in gift-return exchange, and explained it in terms of animism; a spirit attaches itself to the gifted thing and compels people to accept and return the gift. He named this spirit *Hau* following the customs of the Māori. *Hau* gives the gifted thing a right or power to demand a return and a closing of an exchange. We could say that Marx returned to this kind of instance, when he called exchange value a "fetish".

It is quite curious to think that during the time Marx devoted himself to writing *Capital*, the following two books were published; one is *Origin of Species* (1859) by Charles Darwin, which Marx saw as reinforcing his understanding of economic formation of society as "a process of natural history" (Preface to the First Edition, 1867). It is well-known that Marx dedicated *Capital* to Darwin. The other book is *The Primitive Culture* (1871) by Edward Burnet Tylor. Tylor found that the belief in spiritual beings or "anima" is the earliest form of religion. His idea of animism subsequently underwent various criticisms and revisions, but it consistently drew the attention of anthropologists. Needless to say, what Mauss called *Hau* is kind of an anima. Interestingly, Marx's idea of fetishism resonates with Tylor's animism.[2] It would be useful for us to examine what Marx called a fetish from an anthropological viewpoint, instead of treating it as a mere metaphor.

We should take heed that Marx was thinking of a kind of animism when he was writing about the commodity fetish in *Capital*. Fetish is not a mere metaphor here but an anima-like force. Nor is fetishism of commodities just a by-product of commodity exchange. In fact, when we think of exchange, we inevitably encounter the question of anima, because exchange with unfamiliar others require some power to ensure it. In times when there was no law nor state, such spiritual power or fetish attached to things guaranteed exchanges. Credit too derives from this fetish. Mauss says: Now, the gift necessarily entails the notion of credit. The evolution in economic law has not been from barter to sale, and from cash sale to credit sale. On the one hand, barter has arisen through a system of presents given and reciprocated according to a time limit. This was through a process of simplification, by reductions in periods of time formerly arbitrary. On the other hand, buying and selling arose in the same way, with the latter according to a fixed time limit, or by cash, as well as by lending.

Credit did not grow out of barter, but the reverse. Also buying and selling stems from credit. It follows that money stems from credit. Therefore, gift exchange precedes barter on the level of logic. This seems to stand true even historically. As an example, as Malinowski showed, the Kula ring in the Trobriand Islands is a gift-exchange but is accompanied by barter or trade. In this case, the preceding gift exchange paves the way for barter, by bringing about friendly relations among different communities. Since exchange in general is carried out between communities, it requires something to guarantee it. This is provided by a spiritual power attached to the things exchanged. That is what Marx called the fetish.

2 Robert Marret criticized his teacher Tylor 's notion of animism: Tylor's spiritual beings are personal and intelligible, but there is a kind of power that is impersonal and unintelligible. Marret named this power "mana". In this regard, "hau" of Maus, or the power which works in gift exchange is pre-animistic just as mana. Meanwhile, Marx's fetishism of commodity corresponds to Marret's spiritual beings. It was that power, which developed into money and capital.

Next, let us consider where exchange among communities was practiced. What we call the market traces its origins to this. One example of early forms of the market is silent trade: one group leaves some trading goods at a particular location and withdraws, and the other group comes out to examine the goods. If they like the goods, they take them and leave their own goods in return and leave. Philip James Hamilton Grierson, who researched silent trading around the world in his classical work *The Silent Trade* (1903), concluded as follows; places chosen for silent trade need to retain neutrality. Holy places, for instance, are suitable. These places grew into markets. The market welcomes and protects outsiders or foreigners, connects diverse individuals and communities, and as a result creates a special social space.

It is generally said that money appeared out of commodity exchanges in the markets. It is not wrong. However, we should bear in mind that the market was a very distinctive space, a "holy neutral social space", which precludes plunder or invasion by any tribe or state. The idea of supremacy of market today originates here. The market was not formed with protection by the state or law. On the contrary, it was originally a sanctified space, where the state could not exercise its authority. For instance, free cities in the medieval Europe were formed first and foremost due to this power of market.

Various people with various goods come to the market. But it is very rare for them to find a chance for barter. Their demands and supplies do not match easily, for reasons such as that products vary depending on the season. This situation requires a "credit" to postpone the closing of exchange. So the receiver of goods gives the giver some sign to signify the right to obtain a return. The sign can be transferred to other people to receive goods of their choice. This sign became money. In this sense, money is as old as credit.

3

The exchange value (the right to buy some commodity) of money comes from the fetish it has. But the fetish of money is different from the fetish of the commodity; through a certain process, the commodity fetish becomes the money fetish. The fetishism of commodities means that the commodity has the power or right to be exchanged with other communities. Marx explained the process of money fetish in terms of value-form theory; each commodity claims the right to be exchanged with other commodities, which however is difficult to realize in reality. Therefore, commodities align to solve this problem and jointly exclude one commodity as "their universal equivalent." This commodity is money. "The money-form is merely the reflection thrown upon a single commodity by relations between all other commodities."(p184) Money, which was just another commodity, came to be seen as something special. "What appears to happen is not that a particular commodity becomes money because all other commodities universally express their values in it, but on the contrary, that all other commodities universally express their values in a particular commodity because it is money. (p187)

Marx approached the origin of money a-historically and located it in a kind of "social contract" among commodities. This resembles the Hobbesian explanation of the sovereign more than anything else. Both are ahistorical thought experiments. "In the analysis of economic forms neither microscopes nor chemical reagents are of assistance. The power of abstraction must replace both." (*Capital 1*, p90)

Hobbes's theory in *Leviathan* for that matter may be more useful. In his view, in "the state of nature," each person has "free equal natural rights," but this necessarily invites "the war of all against all." The state of peace is created by each person jointly ceding the natural right to one person, who is a sovereign. Hobbes also called the sovereign "Leviathan," that is, as it were, the "beast." To explain this process, Marx quoted the following passage from the Bible: These have one mind, and shall give their power and strength unto the beast. (Revelation17:13). And that no man might buy or sell, save that he had the mark, or the name of the beast, or the number of his name" (Revelation13:17).

As much as Hobbes and Marx are parallel in this regard, there are some crucial differences. For one, Hobbes' social contract deals with a society where the mode B is dominant, whereas Marx's social contract deals with a society where the mode C is dominant. In the former case, the power (right) to be ceded by individuals is that of subjecting others to his will, while in the latter case, the power to be ceded is the power (right) to exchange. In the former case, the person who monopolizes the power becomes a sovereign, namely Leviathan, while in the latter case, the commodity which monopolizes the power to exchange becomes money. We may look at it from a different angle: money is a developed form of the spirit attached to each commodity. That is why Marx wrote: "The riddle of the money fetish is therefore the riddle of the commodity fetish, now become visible and dazzling to our eyes". (p187)

There is another crucial difference between their "social contracts." While humans are the subjects for Hobbes, commodities are the subjects for Marx. In *Capital*, humans cannot possibly become subjects. Marx says: "The value character of the products of labor becomes firmly established only when they act as magnitude of value. These magnitudes vary continually, independently of the products of the will, foreknowledge and actions of the exchangers. Their own movement within society has for them the form of a movement made by things, and these things, far from being under their control, in fact control them. "(p166). But what is the mechanism of this? In usual social relations, the human being is the conscious subject of action and thought. But in commodity exchange, the subject is the fetish attached to the commodity, to which human beings have no choice but to submit. This inversion reaches its culmination in

the movement of capital's accumulation, but at the same time it becomes invisible. Marx aimed to debunk this perversity.

4

It must be clear by now that Marx tried to find the key to solve the riddle of capital in commodity exchange. It is, in my words, to focus on the mode of exchange rather than the mode of production. For classical economists, exchange was a secondary matter. Such was also the case with historical materialists. But Marx found a key in exchange. *Capital* is faithful to its subtitle "the critique of political economy" when it opens with the riddle latent in the exchange which political economists ignored. From a different viewpoint, it means that Marx took bullionism and mercantilism seriously, which classical economists dismissed. For them, the fallacy of bullionism and mercantilism comes from seeing economy not in the light of production, but exchange (circulation). Hence the perversity of desiring money (gold) arose. It was precisely in this perversity of mercantilism and bullionism where Marx located the secret of capitalism. It was to recognize the perverse desire (drive) at the root of capitalism.

Marx found the prototype of capital in the money hoarder. They desire not for use-value, but for exchange-value, in other words, the right or power to gain use-value at any time. There is a limit to the accumulation of use-value (products), but accumulating exchange value can go on endlessly. In this regard, we could say that accumulation essentially begins with money, or begins as accumulation of money. But how is accumulating money possible? It is only possible by not spending it. Marx writes; "The hoarder therefore sacrifices the lusts of his flesh to the fetish of gold. He takes the gospel of abstinence very seriously" (ep231)

After discussing hoarders, Marx moves on to merchant capital. While hoarders save up abstemiously, merchants invest their money to buy something cheaply and sell it at a higher price, thereby making money. To borrow Marx's words, merchant capitalists are "rational hoarders" and hoarders are "mad capitalists." For that matter, industrial capitalists too should be called "rational hoarders." When Max Weber pointed out the connection between protestant ethics and the "spirit" of capitalism, he thought that he was disclosing the semi-autonomous dimension of the ideological superstructure, which cannot be explained by historical materialism. But he failed to see that industrial capitalism is by nature perverse, that it is a developed form of hoarding, and that its "spirit" is a developed form of the "commodity fetish." And above all, he overlooked that all this was already pointed out by Marx in *Capital*.

Marx's use of religious metaphors in this way was not for mere mockery; rather, it was because the problem he was analyzing was fundamentally analogous to religion. The following remark indicates this.

It is part of the discussion of the "*metamorphosis*" from commodity to money; *C-M*. First metamorphosis of the *commodity*, or *sale*. The leap taken by vale from the body of the commodity into the body for the gold is the commodity's *salto mortale*, as I have called it elsewhere. If the leap falls short, it is not the commodity which is defrauded but rather its owner." (p200)

But it is rather commodities that are truly "defrauded" because they are discarded if not sold. In the past, I connected the commodity's "*salto morale*" to Kiekegaard's "fatal leap" in religious faith. (Transcritique, Kant and Marx, MIT). If the commodity's leap falls short, it is contracted with a "sickness unto death" (Kierkegaard). This sickness continually pesters capital, although it is not apparent from the surface. Buying and selling are conducted via credit. That is, things proceed as if commodities are already sold. But in the end, there must be a settlement of accounts, when judgment is meted out. It is at this moment that the "sickness" surfaces. Marx located the possibility of crisis in such credit-based exchanges. "These forms therefore imply the possibility, though not more than the possibility." (p209)

Such an understanding was totally alien to Adam Smith. He just assumed that equivalent exchange is normal and desirable. Based on this view, he criticized merchants for gaining profit by buying low and selling high, and justified industrial capitalists for gaining profit by equivalent exchange. Needless to say, this was a classical economist/liberalist criticism of mercantilism; industrial capital gains profit not in the process of exchange, but in the process of production. More precisely, profit is gained from the rise of productivity due to the division of labor and cooperation. It is natural and fair that the gain goes to the capitalist, who provided the means of production and raw materials and organized workers. This explanation was met with the criticism that industrial capitalists deprive the worker their due. The criticism came from the Ricardian socialists.

In a sense, the germ of such ideas were in Ricardo's theory, and were brought to the surface by the impoverishment of the working class. It was the Ricardian socialists who first introduced ideas such as "surplus value" and "exploitation." Influenced by them, Robert Owen and Proudhon started socialist movements. They expected capitalism to be superseded if only they could successfully re-organize the production process. They did not consider capitalism in its totality. It may be said that they essentially belonged to the school of political economy (classical economics), no matter how critical they were of them. From a different viewpoint, they did not see "the fatal leap", that is innate in "exchange." It is also to ignore that "exchange" requires a kind of faith (fetishism).

Marx is generally believed to have propagated the idea that capital exploits workers in the production process. He may well have,

but the idea was not at all original to him. His originality rests on his turning to the process of exchange in *Capital*. He elucidated that capital is fundamentally merchant capital. Capital multiplies only by gaining surplus value through exchange. This stands the same with industrial capitalism. Thus, the mode of capital accumulation is generally formalized as M-C-M'.

Marx presented the following antinomy: "Capital cannot therefore arise from circulation, and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation. (E268) Hic Rhodus, hic Salta!" But this antinomy can be solved when we suppose the circulation (exchange) takes place between the different synchronic systems commodities' relational value system. [3]

It is true that a merchant gains surplus value from buying low and selling high. But he is not a crafty swindler, who conducts unequal exchanges. The value of a thing is determined within a commodity's relational value system, in which it is located. So a thing can be cheap in one place and expensive in another. Capital's accumulation, i.e. acquisition of surplus value is made possible by buying a thing at one place, where its price is low, and selling it at another place, where its price is high. Both are fair trades based upon mutual agreement. By and large, it may be said that merchant capital gains surplus from the spatial difference between value systems. Long-distance trades are typical of merchant capitalism, because generally speaking, the larger the distance, the larger the gap between the value systems becomes.[4]

Industrial capital is essentially the same as merchant capital. We should not think that merchant capital gains difference simply through exchanges. To find differences between different systems, one needs to be informed, insightful, creative, and adventurous. It is possible to say that merchants deserve to receive profit as the reward for such "labor" and "merits." The difference between merchant capital and industrial capital lies in the fact that the latter found a new kind of commodity, that is, labor-commodity: wage-workers.

3 After advocating the labor value theory in the beginning of *Capital*, Marx moved on to discuss how value-form commodities turn to money-form. In doing so, he bracketed the labor value theory. What does that entail? Classical economists' concept of labor value is nothing other than rephrasing the value of commodities in terms of labor instead of money. They think that money simply represents the inherent labor value of each commodity, and that money as such has no mystery. In contrast, Marx showed that the value of each commodity is determined within the relational system of all commodities, including money-commodity (or the general equivalent).

4 Fernand Braudel distinguished capitalism and the market in his book *The Structures of Everyday Life: Civilization and Capitalism, 15th-18th Century*. The market is a space of trade, which consists of local citizens, farmers, and retail dealers. Deals conducted here are virtually all equivalent exchanges. It is impossible for the merchants to gain profit beyond the commissions. Meanwhile, capitalism is generated from long-distance trading, which bears a large profit.

Wage workers differ from slaves or serfs. In Marx's words, they are doubly "free," that is, they are free from both feudal bonds and the means of production. Wage workers sell their labor power as a commodity and receive wages based upon agreements with their employer. In this sense, they are not forced like slaves or serfs. Also, because they are free from the means of production such as land, they must buy back what they produced with their wages.

This point is important for the following reasons. While merchant capital deals mainly with luxuries, industrial capital deals with staples for wage workers. In addition to this, capital no longer needs to travel to distant places. Industrial capital accumulates itself by mediating the process whereby workers themselves buy back, as consumers, the things that they produced, and gaining the differential value from it. In *Grundrisse*, Marx emphasized that for capital, surplus value is finally realized when workers buy back their products as consumers. In *Capital*, however, he dropped this point. Instead, Marx explains as if surplus value is created through "unequal exchange" or "exploitation" at the point of production through the extension of working hours and so on. He called this "absolute surplus value," which, however, does not go beyond the viewpoint of Ricardian socialists.

The original concept Marx provided in *Capital* was "relative surplus value," which is unique to industrial capital. It is the difference that capital gains by raising productivity through technological innovation, thereby relatively lowering the wages of workers. To elaborate, the wage of workers is decided in the labor market based on agreements between capital and workers or labor unions. However, it is fundamentally determined by the labor productivity corresponding to a certain technological standard. Capital tries to raise labor productivity, i.e. the rate of surplus value in Marxian terms, by adopting various kinds of technological innovations. As a result, workers come to produce more than the wage they receive according to their agreements. That is "relative surplus value." In this case, workers are not aware of being "exploited."

Accumulation of industrial capital is made possible mainly by acquiring this relative surplus value. It is enabled by changing the value system of commodities-- labor power as commodity is included here--by means of technological innovation. By contrast, merchant capital gained surplus value from spatial differences between value systems back in the times when there was little room for technological development and hence depended on long-distance trade.

On the other hand, industrial capital can gain surplus value by bringing in new laborers-consumers and by raising labor productivity, in other words, by differentiating the value system "temporally." [5] Industrial capital, placed in competition with other capital, has no choice but to try to gain surplus value by means of technological innovation. This motivates capital to bring about incessant technological innovation. But by the same token, capital is destined to come to an end, because capital cannot accumulate itself without constant technological progress and the advent of new laborers-consumers.

In short, my point is that the secret of the capitalist economy ought to be seen in the process of exchange instead of production. That is the gist of Marx's critique of political economy. That is why he traced back to commodity exchange to dissect the capitalist economy. We need to reconfirm the significance of Marx's understanding of commodity as a fetish.

5

The drive for accumulating money underlies capital's movement. It is commonly considered that in capitalist society, people are driven by material desire. But what drives capitalists is not the desire for material things, but rather the desire for the right or power to obtain material things. In other words, this desire is not sensuous but super-sensuous. (extrasensory). This takes an overtly perverse form in the case of the hoarder, as Marx indicated. "The hoarder therefore sacrifices the lusts of his flesh to the fetish of gold. He takes the gospel of abstinence very seriously."

Note here that capital's desire is not the individual's desire. Capital is by nature destined to accumulate itself. And its drive is beyond the will of individuals as the bearer of capital. A particular individual may refuse that drive, but that one will merely be replaced by another. That is why Marx said in the preface to *Capital.* "To prevent possible misunderstandings, let me say this. I do not by any means depict the capitalist and the landowner in rosy colors. But individuals are dealt with here only in so far as they are the personifications of economic categories, the bearers (Trager) of particular class relations and interests. My standpoint from which the development of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he remains, socially speaking, however much he may subjectively raise himself above them." (Preface to the First edition, p92)

Hence capital's movement for accumulation does not come from human will or desire. It is driven by fetishism, that is, the "spirit" attached to commodities. Capitalist society is a society organized by

5 At the stage of industrial capitalism, capital gains surplus-value not just through temporal differences but from spatial differences as well. In other words, there are elements of merchant capital and money-lending capital in industrial capital. Still, it is true that industrial capital stands at a superior position, for it obtains surplus-value from temporal differentiation. In this sense, industrial capital is based on exploitation in a dual sense (taking advantage of /developing).

CRISIS & CRITIQUE / Volume 3 / Issue 3

the most developed form of fetishism. Marx needed to faithfully follow Hegel's logic in writing *Capital* in order to show how capital-as-spirit was realized.

However, as I have pointed out, significant parts of *Capital* are inconsistent with Hegel's logic. One of its most salient examples is presenting of labor value theory as part of the opening statement. This is not appropriate because labor value did not exist in the beginning. It only comes into existence as late as at the stage of industrial capitalism. Another example can be found in relation to the end of capitalism. Marx wrote toward the end of the first volume that along with the development and concentration of capital, "the revolt of the working class, a class constantly increasing in numbers, and trained, united and organized by the very mechanism of the capitalist mode of production." "The centralization of the means of production and the socialization of labour reach a point at which they become compatible with the capitalist integument. This integument is burst asunder. The Knell of capitalist private property sounds. The expropriators are expropriated." (e1: p929)

This logic is more in line with the historical materialist formula than Hegel, and therefore does not elucidate the necessity of the ruin of capitalist economy.[6] Here, I would like to revisit and clarify Marx's declaration to turn Hegel's logic on his head. Hegel wrote in the preface to *Philosophy of Right*; "The owl of Minerva spreads its wings only with the falling of the dusk." This means that philosophical cognition is possible only after historical reality has been fully developed and consumed.

Marx's intention in *Capital* was to turn this thought on its head; if some historical reality is understood in toto, it is terminated. "It includes in its positive understanding of what exists a simultaneous recognition of its negation, its destruction". (e1, p103). This is why he did not need to condemn capitalism or agitate workers in *Capital*, although he did so in other places. What he thought indispensable was a thorough clarification of capitalism in its totality historically and logically.

Having said that, the "positive understanding" of capitalist economy is not fully explored in the first volume. This is possible only on the level where capitalist economy is thoroughly organized by the credit system.

6 It was not that Marx denied class struggle as a driving force of history. But in *Capital* he did not see class struggle from the usual view of relations of "production." Class struggle, for instance, does not emerge out of production relations as such but out of an "exchange" relationship between creditors and debtors. "The class struggle in the ancient world, for instance, took the form mainly of a contest between debtors and creditors and ended in Rome with the ruin of the plebeian debtors, who were replaced by slaves. In the Middle Ages the contest ended with the ruin of the feudal debtors, who lost their political power together with its economic basis. Here, indeed, the money-form? And the relation of between creditor and debtor does have the form of a money-relation? Was only the reflection of an antagonism which lay deeper, at the level of the economic conditions of existence." (*Capital* , p233)

In truth, we see a most developed understanding of capital in the third volume, that is to say, when Marx is dealing with the stage where capital takes a form of share capital (joint-stock company). He had this in mind when he wrote about "the centralization of the means of production and socialization of labor".

Despite this, the discussion of share capital is not really conspicuous at all. It is because the third volume culminates with the description of "classes" and ends there (chapter 52). In my understanding, *Capital* is fit to end with share capital for the following reason. Marx wrote at the very beginning of it: "The wealth of societies in which the capitalist mode of production prevails appear as an "immense collection of commodities: the individual commodity appears as its elementary form. Our investigation therefore begins with the analysis of the commodity." The commodities here are not mere things, but rather the spirits attached to things (fetishes). They are to be morphed first into money and then into capital, and finally into a commodity called share capital. In shared capital, capital becomes a commodity.

In the quotation I presented at the beginning of this paper, Marx talks about an "immense collection of commodities." This includes commodified capital, i.e. share capital. In this sense, as Hegel puts it, the beginning is mediated by the end. To put it differently, development ends when the primal commodity grows to be the final commodity, namely share capital. Here, we see simple spirits attached to things grow to be the absolute spirit. If *Capital* had made this clear, it truly would have become both faithful to Hegel and a overturning of Hegel. In this sense, *Capital* should have closed with share capital.

Share capital is the last form of capital which emerged with the development of credit, but it is not entirely novel. It is a recurrence of the earliest form of capital. Now let us look back at the three forms of capital accumulation Marx presented in *Capital*.

(I) Merchant capital: M-C-M'
(II) Money-lending capital: M-M'
(III) Industrial capital: M-C----P----C-M'

Money-lending capital has no need to make a *salto mortale* of buying and selling commodities like merchant capital. The invested capital comes back with interest. Needless to say, money-lending capital cannot subsist without merchant capital, which provides interest. However, we see here a dream come true of the money hoarder, who desires to accumulate money without trade.

In Marx's words, merchant capital and money-lending capital are "antediluvian" forms of capitalism. They were surpassed by modern industrial capital and absorbed as its partial moments. For instance, merchant capital became commercial capital, which executes a part of industrial capital's accumulation process, and money-lending capital became interest-bearing capital like banks. Therefore, classical economists, whose thoughts were based on industrial capital, rebuffed mercantilism and bullionism, which are based on merchant capital and money-lending capital. But the formula (III) is not the final form of capital accumulation. It is followed by the resurgence of (I) and (II). And finally (II) will absorb all other forms of capital accumulation. This takes a form of share capital or financial capital.

Joint-stock companies were founded to collect investment. They existed in Italy as early as in the 13th century, and grew large some centuries later; the Dutch East India Company and the British East India Company were representatives of such large scale institutions, which were found in the 17th and 18th century respectively. Their capital was exclusively merchant capital. Joint-stock companies multiplied along with the advent of industrial capital in Britain. In the age of industrial revolution, the kind of enterprise that requires a large sum of money to start business, multiplied. It prospered especially after the limited liabilities of shareholder was legalized in Britain. As a result, share capital became transferable and came to be traded as commodities.

With joint-stock capital, the profit of industrial capital takes the form of interest; namely is taken over by . From a different perspective, with the joint-stock capital, capital is treated as commodity. Thus capital, which started with commodity fetishism, fully realizes itself as joint-stock capital. It means that the fetishism came to rule all productions. So Marx says.: "The fetish character of capital and the representation of this capital fetish is complete. In M-M' we have the irrational form of capital, in which it is taken as logically anterior to its own reproduction process; the ability of money or a commodity to valorize its own value independent of reproduction—the capital mystification in the most flagrant form". In the case of joint-stock capital or financial capital, unlike industrial capital, accumulation is realized not through exploiting workers directly. It is realized through speculative trades. But in this process, capital indirectly sucks up the surplus value from industrial capital of the lower level. This is why accumulation of financial capital creates class disparities, without people's awareness. That is currently happening with the spread of neo-liberalism on the global scale.

6

To repeat, with joint-stock capital, fetishism takes its highest form. For Hegel, the absolute spirit embraces the all processes and moments that have ever existed. Likewise, the joint-stock is the "absolute fetish," which embraces the whole process and moment of capital accumulation. But how does this understanding come to "include in its positive understanding of what exists a simultaneous recognition of its negation "? (Postscript to the Second Edition, 1873)

In the third volume, Marx located the reason for the "inevitable destruction" of the capitalist mode of production in "the law of the tendential fall of the rate of profit." Capital is constantly compelled to accumulate or self-propagate; "It is the rate of profit that is the driving force in capitalist production, and nothing is produced save what can be produced at a profit" (p368). So if the rate of profit falls, the capitalist mode of production ends. "Production comes to a standstill not at the point where needs are satisfied, but rather where the production and the realization of profit impose this" (p367).

For that reason, the capitalist mode of production is compelled to make "the constant revolutions in methods of production themselves, the devaluation of the existing capital which is always associated with this, and the general competitive struggle and the need to improve production and extend its scale" (p353). However, "simultaneously with the development of productivity, the composition of capital becomes higher, there is a relative decline in the variable portion as against the constant" (p357). Which means that the development of productivity increases the profit but diminishes the rate of profit because the portion of fixed capital increases. Thus the tendential fall of the rate of profit or the limit of capital is not caused by anything but capital itself. In Marx's words, "the true barrier to capitalist production is capital itself." (p358)

In connection to this, the following remarks of Marx are very important. "The barriers to the capitalist mode of production shows themselves as follows: in the way that the development of labor productivity involves a law, in the form of the falling rate of profit, that at a certain point confronts this development itself in a most hostile way and has constantly to be overcome by way of crises." Marx fully elaborates crises following the discussion of the credit system, including joint-stock capital. Here he recognizes crises not as a threat to the continuation of the capitalist mode of production but rather a symptom that entails the process of capital trying to "overcome" the plight of capitalism.

Marx had a strong interest in crisis since the 1840s. He anticipated that the world crises would lead to a world revolution. For him it seemed clear that the revolution throughout Europe in 1848 was triggered by the world crisis. But when the next world crisis struck in 1857, against his expectations, a revolution did not happen. It was thereafter that Marx began to delve into the question of crisis, or rather set about a full-scale study of the capitalist economy. In his previous view, crisis is caused by overproduction or excess of commodities due to anarchic production. He maintained this view in *Grundrisse* (*Outlines of the Critique of Political Economy*, 1858). It was in the 1860s that he revised this view when he started to tackle the question of periodic crises in the draft of volume 3 of *Capital*.

There had been many crises such as the famous Tulip Crisis in Holland (1634-7) in the past, but they were all caused by speculation. A series of crises in Britain that started in 1825 were different in nature. It began when industrial capitalism reached a certain kind of perfection and kept happening every ten years. The periodic occurrence of a crisis invalidated the idea of ascribing crisis to the failure of economic policy or anarchic production. Neither was it an indication of the collapse of capitalism. Conversely, it only shows that capital has to accumulate itself through business cycles, which necessarily entail crisis. Furthermore, it means that capital has no means to solve its own contradictions other than through crisis. "Crises are never more than momentary, violent solutions for the existing contradictions, violent eruptions that re-establish the disturbed balance for the time being." (*Capital* ,p 357). Crisis in this regard is not something that breaks down capitalism, but necessary for its survival.

As I stated before, Marx discussed crises after elaborating on the credit system. The crisis peculiar to industrial capitalism arose as the credit system matured and reached a certain perfection. The credit system as joint-stock company and bank are such examples. In *Capital*, Marx explained crisis as follows. In boom periods, the labor force runs short and wages rise, so the profit rate goes down, but this is obscured under heated credit. And it suddenly turns into a crisis. The crisis happens first as a credit crisis, which discloses the overproduction. As a result, the fixed capital (manufacturing facilities) is scrapped. Depression continues on. But the accompanied fall in interest rates and wages prompts new investment in production facilities and the labor force. That brings the increase of organic composition of capital. This way the period of depression prepares for the coming boom. Then the boom is followed by another crisis. This alternation takes place nearly every ten years. [7]

The above process signifies the following things. Firstly, periodical crisis takes place under the well-developed credit system, although not due to speculation. Secondly, the cause of credit crisis is a contradiction peculiar to industrial capitalism. At the root of this contradiction there is industrial capital's dependency on a peculiar commodity--labor commodity--which both produces and buys back commodities. Capital cannot produce this commodity. This is "nature," which remains outside capital and out of capital's control. Just as capital fetishism appeared to have completed itself as joint-stock capital, "nature" emerged as crisis to uncover its delusion.

7 To be more specific, the periodic crises which Marx deals with in *Capital* occurred in 1825, 1836, 1847, 1857, 1866, and 1873. He may have experienced the crisis in 1866, while he was writing the manuscript of the third volume, but as for the crisis in 1873 he was not aware that it was the last of the periodic crises, because he died in 1883. It means that *Capital* only targeted capitalism of a certain historical period. Nevertheless, it could be said that the periodic crises of Marx's time allowed him such a scientific consideration of crisis.

7

Interestingly, the business cycle that Marx took up disappeared after 1873. It does not mean that difficulties intrinsic to the capitalist mode of production disappeared. It only resulted in chronic depression. The reason is that capital gave up its usual way of raising the organic composition of capital through crisis; capital investment in manufacturing gave way to overseas investment. Namely the merchant capital and moneylending capital ways of accumulation took the place of those of industrial capital.

We should acknowledge that all these were phenomenon seen above all in Britain. British supremacy in the textile industry kept Britain the hegemon of world capitalism for a long time, but the rapid development of heavy industry in Germany and America destabilized Britain's position. In a sense, the periodic crises were peculiar to British capitalism centering around the cotton industry, although its effects were felt world-wide. Crises forced capital to scrap the machines, which was not really a problem, because either way machines only endure nearly ten years. That is why it makes sense to raise the organic composition of capital through crisis.

But along with the shift to heavy industry and with the corpulence of fixed capital, such a solution became impossible. In Britain, capital abandoned the shift to heavy industry. Or rather it gave up industrial capital's formula of accumulation and returned to merchant capital's formula of accumulation. This was why Britain declined in the field of industrial capital, while maintaining hegemony in the domain of commerce and finance.

The disappearance of periodical crises and the radical change of joint stock capital are correlated. The joint-stock company became particularly significant when it turned from mere joint investments to a form of amalgamating existing fixed capital without scrapping it. But this happened in Germany and America rather than in Britain. Engels added to the third volume of *Capital*, which he edited; "Since Marx wrote the above passage, new forms of industrial organization have been developed, as it well-known, representing the second and third degree of joint-stock capital." (e3, p566). As a matter of fact, he explained this taking Germany and America as examples.

It is related to the fact that since the 1860s, heavy industry developed rapidly in Germany and America. In Britain where the textile industry was predominant, there were many individual capitalists, and the join-stock capital was only supplementary. But in underdeveloped Germany and America, heavy industry was aimed at from the start with the support of the state, which brought about gigantic enterprises. It was at this point that joint-stock companies played an indispensable role. Hilferding noted this phenomenon and reemphasized what Marx remarked

CRISIS & CRITIQUE / Volume 3 / Issue 3

on the joint-stock company. "This is the abolition of the capitalist mode of production within the capitalist mode of production itself. "(volume3, p569)

Hilferding named the mixture of bank capital and joint-stock capital "financial capital" and regarded it as "the highest stage of capitalism," for at the stage of financial capital, production is highly integrated and socialized. He found there the real basis for the coming socialism. But in my view, the financial capital that emerged in Germany and America is characteristic of developing nations. They intended to develop heavy industry and needed share capital and megabanks under the state's support. So financial capital may be positively evaluated. But it cannot be called the highest stage of capitalism, which should rather be found in Britain.

Of course, there is no finding positive meaning there, but seen from today's perspective, it is more suggestive for showing the path taken by global capitalism. Lenin, who inherited the Austrian Marxist Hilferding 's view on financial capital, criticized it for lacking consideration into parasitism and the decay of capitalism, which he found instead in the book "Imperialism" (1902) by J.A. Hobson, a British social reformist. The reason is that Hobson explained imperialism from late nineteenth-century British capitalism. It is in Britain that parasitism and the decay of capitalism of financial capitalism became prominent. [8]

When it was a hegemon of world capitalism, Britain took a free trade policy, but domestically, it followed a policy of welfare and protection of the working class, because trade unions were legalized and reinforced since the revolution of 1848. However, British capital deserted domestic manufacturing and the working class to turn to foreign investment and finance. Until then, Britain was a marine empire with many colonies, which, however, were more like states without tariff autonomy. For example, Britain exported their commodities to Mughal India through the East India Company, but did not intervene in its affairs. They turned "imperialist" when they began exporting "capital" to India. The incident that indicates this change literally is that the East India Company dethroned the emperor of Mughal and enthroned Queen Victoria as the empress of India in 1876.

Hannah Arendt's following view of imperialism is more suggestive than Hilferding's because she observed imperialism centering on Britain: "Imperialism must be considered the first stage in political rule of the

8 In *Imperialism, a Study* (1902), John Atkinson Hobson insisted that the plethora of capital and its resultant exportation caused unemployment and class disparities, so that in place of overseas investment and financial speculation a policy of egalitarian redistribution of wealth within the nation should be taken. This is similar to the present Keynesian critique of "neoliberalism." But like the preceding imperialism, neo-liberalism is not a type of policy that the state can freely adopt or abandon. It should be regarded as a historical stage of capitalism.

bourgeoisie rather than the last stage of capitalism." *(The Origins of Totalitarianism*, Penguin, p138).

In her view, the "political emancipation of the bourgeoisie" took place at the stage of imperialism; in other words, political rule or the dictatorship of the bourgeoisie began then. Marxists called the society after bourgeois revolution the dictatorship of the bourgeoisie. But it was far from the dictatorship of capital. What bourgeois revolutions brought about in France in 1789 and in 1848 was rather the system to protect the nation (people) from capitalist tyranny. The modern capitalist state lies in the combination of three different elements: capital, nation, and state. Simply put, the capital-nation-state is a mechanism where the nation as imagined community compels the state to solve the class disparity and antagonism caused by capitalism by way of taxation and redistribution of wealth.

Nevertheless, this trinity system worked well only at the liberalist stage of capitalism, as seen in the case of Britain. It does not work at the imperialist stage. Capital goes abroad, deserting the working class, and the state underpins such a policy militarily. At that point, the nation as imagined community is sacrificed and transformed into chauvinist nationalism. What Arendt called the "political emancipation of the bourgeoisie" is such a process, whereby capital is freed from concern for the nation. This may have been the first such attempt after the bourgeois revolution, however, but it was not the last. For it is being repeated by the neo-liberalism that penetrated the world around the end of the 20th century. It should if anything be called "neo-imperialism." [9]

Looking back from the state of things after 1873, it becomes quite clear that *Capital* was written when Britain was a hegemon maintaining a liberalist policy. That enabled Marx to observe the capitalist economy while bracketing the state and to observe world capitalism through the lens of a single nation. Such conditions rapidly disappeared after the 1870s. But *Capital* gives enough clues to understand the world after it.

If anything, Marx's understanding that "the true barrier is capital itself" applies to the capitalist economy after *Capital*. What he said about the fall of the profit rate or excess of capital implied that capitalism cannot exist but globally. Within a single nation, the fall of the profit rate takes place in no time. The accumulation of capital is possible only by

9 As I stated in *The Structure of World History*, I follow the ideas of liberalism and imperialism suggested by Immanuel Wallerstein in *The Modern World-System* . In his view, liberalism is a policy taken by a hegemon, while imperialism indicates the stage where a hegemon is absent, and many states fight in competition for the next hegemony. And Wallerstein noted that there were only three hegemons in the history of the modern world system; Holland, Britain, and the United States of America. From this we may presume the following; firstly, the liberalistic stage and imperialistic stage alternate, which is the reason for my persistent claim that neo-liberalism should be called "neo-imperialism." Secondly, today's neo-imperialism began with the decline of the United States and will last until the next hegemon is established, if that is even possible, and given that capitalism survives until then.

globally creating labor-force commodities, i.e. commodities that produce commodities and buy them back.

Hence the necessity for the globalization of capitalism, which, however, results in the fall of the profit rate sooner or later. And in this process, the human lives and natural environment that existed throughout the world prior to capitalism are destroyed. But if it ceases, capital cannot survive. The accumulation of capital will no doubt become more and more difficult from now on. Nevertheless, capital will not stop accumulation. Whatever humans may think, the drive of capital to propagate itself never disappears. That is the power of the fetish of capital. That is why *Capital*, which grasped this power, is still important.

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C R I S I S & C R I T I Q U E / Volume 3 / Issue 3