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MARX AND INTEREST-BEARING CAPITAL

an introduction¹

MARX E O CAPITAL PORTADOR DE JUROS

uma introdução

Ricardo Pereira de Melo²

(ricardopmelo@gmail.com)

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Abstract: The article aims to expose the fundamental lines of the dialectical (negative) movement of interest-bearing capital, following Marx's own *lexis*. For this, it follows the rigorous presentation from Marx's *Capital* and its method of exposure (*Darstellungweise*), especially the beginning of Section V of Book 3, in addition to comparing Marx's first manuscripts on the issue contained in the Theories of Surplus Value. Thus, rather than presenting a new thesis on the subject, the article focuses on the general presentation of the problem, seeking to capture each peculiar moment of interest-bearing capital in Marx's *Capital*.

Keywords: Marx. Dialectic. Interest-bearing capital. Theories of Surplus Value.

Resumo: O artigo tem como objetivo expor as linhas fundamentais do movimento dialético (*negativo*) do capital portador de juros, seguindo a própria *léxis* de Marx. Para isso, segue-se a apresentação rigorosa a partir de *O Capital* de Marx e o seu método de exposição (*Darstellungweise*), especialmente o início da Seção V do Livro 3, além de cotejar os primeiros manuscritos de Marx sobre o assunto contidos no livro *Teorias da Mais-Valia*. Dessa forma, mais do que apresentar alguma nova tese sobre o tema, o artigo fixa-se na apresentação geral do problema, buscando captar cada momento peculiar do capital portador de juros em *O Capital* de Marx.

Palavras-chave: Marx. Dialética. Capital portador de juros. Teorias da Mais-valia.

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² Professor da Faculdade de Filosofia da Universidade Federal de Mato Grosso do Sul (UFMS). Doutor em Filosofia pelo Programa de Pós-Graduação em Filosofia da Universidade Estadual de Campinas (Unicamp).

CV Lattes: <http://lattes.cnpq.br/6736867060595910>.

ORCID: <https://orcid.org/0000-0002-4234-0471>.



“Sein Tiefsinn besteht hier wie immer nur darin, die Staubwolken der Oberfläche zu sehn und dies Staubige anmaßlich als etwas Geheimnisvolles und Bedeutendes auszusprechen”³.

Marx

1 FIRST PART

Interest-bearing capital consists of a new form of capital existence in circulation. According to Marx, this category is *capital sui generis*, or as he says, “capital as capital (*Kapital als Kapital*)”.

The commodity-capital or interest-bearing capital has its own rationality that is imposed on its contractors in the market. In order to become effective as an autonomous movement, interest-bearing capital, through the exchange process, must be found in fully developed legal-bourgeois relations so that it can reflect the private will of the owners of this commodity. The selfish and individual will of the owners of capital must appear, juridically, as a collective and common will to all. This apparent relationship of collective and common will must be expressed in a juridical social contract, which is protected by the bureaucratic apparatus of the State⁴.

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The financial capitalist or moneylender, when selling his merchandise on the market, finds himself protected by the laws of a particular country or nation. This recognition by the law is rather a recognition of private owners of goods, that is, a relationship historically constituted since the formation of private property under the tutelage of capital⁵.

Therefore, for Marx, justice or commercial law cannot change the content of capitalist relations of production. In order for interest-bearing capital to develop its autonomous movement, it is necessary, according to Marx, to develop the state form itself:

³ "His profundity here, as always, consists only in seeing the clouds of dust on the surface and presumptuously pronouncing this dusty thing as something mysterious and significant".

⁴ The principle of the exchange of equivalents must be present, even if in contradiction to capitalist circulation in general. In a note at the beginning of Chapter XXI of Book 3 of *Capital* (part of the book that deals specifically with interest-bearing capital), Marx quotes Gilbart, to show that the principle of equal exchange must be present in the circulation of interest-bearing capital, then, “money borrowed with the intention of making a profit from it should give part of the profit to the lender *is an evident principle of natural justice (Prinzip der natürlichen Gerechtigkeit)*” (MARX, 1983, p. 351).

⁵ Cf MARX, 1968, p. 459: “The bourgeoisie did not hesitate to resort to State help in this case, as it has done in any other case in which it was important to adapt the traditional relations of production found to its own”. Without State coercion in the early days of capitalism, this process would hardly take place. But it was with the English liberal state in the 18th century that the bourgeois project of full freedom of movement of goods could be realized. With capitalist development on a national scale, the circulation of goods was guaranteed by the laws of the State and its members were in agreement with the entire process.



The legal forms (Die juristischen Formen) in which these economic transactions appear as acts of the participants' will (als Willenshandlungen der Beteiligten), as expressions of their common will and as contracts whose execution, as it is imposed on the individual party, through the State cannot, as mere forms, determine this content (diesen Inhalt selbst nicht bestimmen). They just express it. This content is fair as long as it corresponds to the mode of production, which is suitable for you (MARX, 1983, p. 352).

Putting his assumptions, that is, the development of civil-bourgeois society and the State, Marx seeks to develop dialectically the fundamental concept to understand the transitory form of the capitalist mode of production: interest-bearing capital. This article intends to show the dialectic of interest-bearing capital developed by Marx in *Capital*, especially in the Third Book of the work and to show how this necessary form of capital is a central category in the dialectical exposition of capital.

2 SECOND PART

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To become capital, money paralyzed in the hands of its owner must either be employed in means of production and labor power or be loaned to a functioning capitalist to make a profit. As soon as the moneylender and also the owner of the money decides to lend it to another capitalist, the money becomes capital⁶. Thus, loan capital to become capital needs to find its proper form in the hands of the industrial or commercial capitalist in order to be employed and add more money⁷.

All money is a potential means to produce profit, therefore, it can be said that any amount of money can be transformed into capital in the sphere of production, as industrial capital, or in the sphere of circulation, as commercial capital. In order to yield “fruits”, the borrowed money must be valued in the global process as capital, appropriating surplus labor⁸.

⁶ Cf MARX, 1968, p. 448: “The change in the position of money when it is lent as capital, that is, it is not converted into capital, but enters into circulation as capital, expresses only the transfer of the same money from one person to another”.

⁷ At the opening of Section V entitled *Division of profit into interest and profit of the entrepreneur. Interest-bearing capital* from Book 3 of *Capital*, Marx warns that it is important not to lose sight of the fact that he will henceforth deal with “the definitive figure of the average rate [of profit – RPM] (die fertige Gestalt der Durchschnittsrate)” analyzed by him in the previous sections (sections I to IV). Hence, whether capital is invested in the sphere of production or whether it is invested in the sphere of commerce, capital will yield the same average profit.

⁸ In the capitalist mode of production, money can be transformed into capital and, by virtue of this transformation, it becomes a value that values itself. Money, therefore, is capital because it enables



Then, after a certain time, the loan capital returns to its owner because its money has "fruited" in the hands of the functioning capitalist. The part that returns to the owner of the money is called interest – a fraction of the surplus value produced by capital. The keeper of borrowed capital gives its owner the legal right to take part of the profit, even if it is not produced by him.

To better understand the interest proposition, it is assumed that: a) average annual rate of profit = 20%; b) value of the machine used = 100 pounds sterling; c) mass of profit obtained after the production process = 20 pounds sterling. If any person has 100 pounds sterling, he has in his hands the ability to produce 120 pounds sterling (capital advanced in machinery + profit). Now, if instead of investing productively, this person lends the 100 pounds sterling to another, at the end of 1 year he will have to pay “the use value of his capital function (*den Gebrauchswert ihrer Kapitalfunktion*)” (MARX, 1983, p. 351), this function of producing 20 pounds sterling profit.

The profit at the end of the production process is 20 pounds sterling, of which 5 pounds must now be paid to the initial owner of the 100 pounds sterling, deducted from the profit made. Interest is nothing more than “a particular name, a particular section (*eine besondere Rubrik*) for a part of the profit, which working capital, instead of putting into its own pocket, has to pay to the owner of the capital (*an den Eigner des Kapitals*)” (MARX, 1983, p. 351). In this expository moment, Marx reveals “interest-bearing capital in its ordinary form (*Wir haben es hier mit dem zinstragenden Kapital in seiner gewöhnlichen Form zu tun*)” (MARX, 1983, p. 352), that is, interest is the part paid to the capitalist owner of the money as part of the surplus value produced by the functioning capitalist.

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We shall go back to the example given by Marx: if capitalist A lends 100 pounds sterling to capitalist B, B is the functioning capitalist who employs money in the form of capital in the purchase of means of production (industrial capital) or commodities (mercantile capital). At the end of the process, B will produce 20 pounds sterling profit, in which he will pay 5 pounds sterling in the form of interest to capitalist A. The starting point is the money that A advances to B⁹.

We must pay attention to the movement: $M - M - C - M' - M'$, to carry out the movement of industrial capital ($M - C - M'$), capitalist B receives money from A and transforms

the capitalist to buy labor power and extract a quantum of unpaid labor (surplus value) from the working class.

⁹ Marx seeks to show the circulation (movement) of interest-bearing capital or the peculiar way in which this commodity-capital is lent. It is not appropriate here to analyze, for the time being, the particular forms of interest-bearing capital, such as bills of exchange, shares and public debt securities.



it into capital to return to his hands (capitalists A and B) in the form of M'. Thus, we have the values: $100M - 100M - 100C - 120M' - 105M'$. The circulation of interest-bearing capital, $M - M'$, is $100M - 105M'$, where $\Delta M = 5$. The capital borrowed by the finance capitalist earned interest of 5.

The movement of interest-bearing capital **does not constitute** a moment in the global reproduction of capital or even in the metamorphosis of commodities. The first change of place of $M - M$ expresses only his transfer from person A to B, “a transfer that usually takes place under certain forms and legal guarantees” (MARX, 1983, p. 353). The second moment constitutes $M' - M'$, corresponds to its reflux. Capitalist B transfers to A a part of the profit, as paid-up capital, which corresponds to interest. However, according to Marx, this movement is configured as follows:

[...] B has to hand over to A part of the profit obtained from this sum of capital under the name of interest, since A has only given him the money as capital, that is, as value which not only keeps in motion, but creates surplus value for its owner. It remains in the hands of B only as long as it is functioning capital (*solange es fungierendes Kapital ist*). And with its reflux (*Rückfluß*) – at the end of the stipulated period – it ceases to function as capital. As capital no longer functioning, it has to be returned to A, who has not ceased to be the legal owner of it (*der juristische Eigentümer desselben*) (MARX, 1983, p. 353).

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In the first movement $M - M$ does not express any metamorphosis of capital value, but only a change of hands. The same occurs with the movement $M' - M'$. While in the first movement the moneylender cedes his loanable capital to the borrower, in the second movement, the opposite happens. Both transactions are purely legal transactions. What happens is simply the introduction of two different people into the process of capital reproduction, one appears as the owner of capital and the other person as a functioning capitalist, dividing the mass of surplus value created by capital between two different capitalists¹⁰.

3 THIRD PART

¹⁰ Cf MARX, 1968, p. 450: “The capitalist exists on two levels – the legal and the economic. Thus, capital as property also flows back to the legal capitalist, prince of a morganatic consortium (Der Kapitalist existiert doppelt. Juristisch und ökonomisch. Als Eigentum kehrt es daher auch zu dem juristischen Kapitalisten, [dem] left handed Seim, zurück)”.



Loanable money capital makes a double return: first, it returns into the hands of the functioning capitalist as money capital; then part of the capital produced is transferred to the finance capitalist as interest. Both are figures of capital in the form of money, but they are distinguished by the way they enter the process of social reproduction. For Marx:

This *return (Rückkehr)* of capital to the starting point assumes in interest-producing capital a completely *extrinsic* figure, dissociated from the effective movement of which it is the form. Its money not as money but as capital. Money does not undergo any transformation there (*Es geht hier kein change mit dem Geld vor*). It only changes hands. Its real conversion into capital takes place only in the hands of B. But for A, capital has changed as it passes from the hands of A to those of B. The real return of capital from the processes of production and circulation takes place in B. However, for A the return happens in the same way as the cession (MARX, 1968, p. 449).

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For the functioning capitalist, the capital borrowed does not belong to him in the act of transfer or return. The passage of capital in the process of reproduction does not convert loanable capital into the property of the functioning capitalist. He, in turn, introduces capital into the reproductive cycle to generate more capital. The acts of lending and returning loanable capital are purely arbitrary movements and guaranteed by different legal contracts, unrelated to the reproductive cycle of capital¹¹.

O movimento característico do capital portador de juros é o empréstimo de determinado quantum de capital por tempo determinado e, em seguida, a devolução desse capital agora acrescido de juros, como parte da mais-valia produzida fora desse circuito. Pode-se afirmar que, todo o ciclo reprodutivo do capital é uma operação que transcende as transações jurídicas da mercadoria-capital, como se o juro (capital) tivesse surgido de *si mesmo*. Todo o processo de extração de mais-valia fica invisível e desaparecem as mediações da fórmula geral $M-M-C-M'-M'$, aparecendo apenas seus extremos $M - M'$.

What mainly characterizes the capital commodity is its exteriority in the form of the return of surplus value in the hands of the financial capitalist. The starting point and the point of return of interest-bearing capital appear as occasional movements, carried out through merely juridical relations between the finance capitalist – owner of loanable capital – and, on the other hand, the active capitalist, who borrows the capital to value in the production process.

The cycle $M-C(MP+L)...P...C'-M'$ appears in the circuit boards described above. In this way, the circulation of the rights holder's capital or the direct offer-capital, to the movement M

¹¹ The relationships between lenders and borrowers are external relationships to the global process of reproduction of social capital, and the interest rate regulates this relationship in the market.



– M', without circulation of the capital value. The juror appears full of economic factors held and only linked to legal factors. That's why interest is a way to cover up capitalist relations¹².

The formula $M-C(MP+L)...P...C'-M'$ is reduced only to its extremes $M - M'$, appearing as if money generates more money out of itself. The apparent formula of interest-bearing capital $M - M'$ obscures the general movement of capital, “a pointless resume (*ein sinnloses Resume*)” (MARX, 1968, p. 446). When the forms of capital-value appear in circulation, they mystify the original sources of income and confuse the qualitative differences in the general movement of capital. However, “in all these forms the most complete fetish (*vollständigste Fetisch*) is *interest-bearing capital* though” (MARX, 1968, p. 445).

In the capital reproduction cycle $M-C(MP+L)...P...C'-M'$, the restart of the new cycle depends on several circumstances within the actual process. In the case of interest-bearing capital, the return of capital merely depends on the agreement signed in the legal contract. In this way, the return of interest-bearing capital in the hands of the lender does not appear as a **result** of the cycle of reproduction of capital, but merely as a legal act **presupposed** to the global cycle.

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With the completion of the financial circulation of capital, the commodity-capital becomes effective in circulation, subordinating simple circulation to credit circulation. Thus, interest appears as an intrinsic quality of capital, mystifying and hiding all capitalist relations of production. This is why Marx ranks the appearance of circulation $M - M'$ as the highest degree of mystification. The movement $M - M'$ or the apparent circulation of interest-bearing capital becomes an autonomous movement of the real cycle of capital. Finally, it is concluded that in $M - M'$ we have the form of capital empty of concept, the reversal (*die Verkehrung*) and the objectification (*Versachlichung*) of production relations taken to the highest potency (*in der höchsten Potenz*)” (MARX, 1968, p. 454).

¹² Cf MARX, 1968, p. 454 and 458-459: “In this form all mediation is extinguished, and the fetish form of capital and the idea of the *capital fetish* are complete (*In dieser Form ist alle Vermittlung ausgelöscht, und die Fetischgestalt des Kapitals wie die Vorstellung von dem Kapitalfetisch fertig*). This configuration has to be produced by dissociating the legal domination of capital from its economic domination and by flowing to *capital itself* that is completely separate (*sich trennt*) from the production process, or to the *owner of capital*, a part of the profit, under the name of interest [...] The unintelligible form found on the surface and from which we start in our analysis, we again find it as the result of the process in which the figure of capital, in a progressive way, is each time alienated and detaches itself from its intrinsic nature”.



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