Part IV

Conversion of Commodity-Capital and Money-Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)

Chapter 19. Money-Dealing Capital

The purely technical movements performed by money in the circulation process of industrial, and, as we may now add, of commercial capital (since it takes over a part of the circulation movement of industrial capital as its own, peculiar movement), if individualised as a function of some particular capital performing just these, and only these, operations as its specific operations, convert this capital into money-dealing capital. A portion of industrial capital, and, more precisely, also of commercial capital, not only obtains all the time in the form of money, as money-capital in general, but as money-capital engaged precisely in these technical functions. A definite part of the total capital dissociates itself from the rest and stands apart in the form of money-capital, whose capitalist function consists exclusively in performing these operations for the entire class of industrial and commercial capitalists. As in the case of commercial capital, a portion of industrial capital engaged in the circulation process in the form of money-capital separates from the rest and performs these operations of the reproduction process for all the other capital. The movements of this money-capital are, therefore, once more merely movements of an individualised part of industrial capital engaged in the reproduction process.

It is only when, and in so far as, capital is newly invested — which also applies to accumulation — that capital in money-form appears as the starting-point and the end result of the movement. But for all capitals already engaged in the process, these first and last points appear merely as points of transit. Since, as already seen in the case of simple commodity-circulation, from the moment of leaving the sphere of production to the moment of its re-entry industrial capital undergoes the metamorphosis C' — M — C, M in fact represents the end result of one phase of the metamorphosis, just to become the starting-point of the reverse phase, which supplements it. And although the C — M of industrial capital is always M — C — M for merchant's capital, the actual process for the latter is continually also C — M — C once it has begun to function. But it performs the acts C — M and M — C simultaneously. This is to say that there is not just *one* capital in the stage C — M while another is in the stage M — C, but that the same capital buys continually and sells continually at one and the same time because of the continuity of the production process. It is to be found always in both stages at one and the same time. While one of its parts turns into money, later to be reconverted into commodities, another turns simultaneously into commodities, to be reconverted into money.

It all depends on the form of the commodity exchange whether the money serves here as a means of circulation or of payment. In both cases the capitalist has to pay out money constantly to many persons, and to receive money continually from many persons. This purely technical operation of disbursing and receiving money is in itself labour which, as long as the money serves as a means of payment, necessitates drawing up payment balances and acts of balancing accounts. This labour is a cost of circulation, *i.e.*, not labour creating value. It is shortened in being carried out by a special section of agents, or capitalists, for the rest of the capitalist class.

A definite portion of the capital must be on hand constantly as a hoard, as potential money-capital — a reserve of means of purchase, a reserve of means of payment, and idle capital in the form of money waiting to be put to work. Another portion streams back continually in this form. Aside from collecting, paying, and book-keeping, this entails safekeeping the hoard, which is an operation all in itself. It is, indeed, a continuous conversion of the hoard into means of circulation and means of payment, and its restoration by means of money secured through sales and from payments due. This constant movement of the part of capital existing as money, dissociated from the function of capital itself, this purely technical function, causes its own labour and expense, classified as costs of circulation.

The division of labour brings it about that these technical operations, dependent upon the functions of capital, should be performed for the entire capitalist class as much as possible by a special section of agents or capitalists as their exclusive function — or that these operations should be concentrated in their hands. We have here, as in merchant's capital, division of labour in a two-fold sense. It becomes a specialised business, and because performed as a specialised business for the money-mechanism of the whole class, it is concentrated and conducted on a large scale. A further division of labour takes place within it, both through division into various independent branches, and through segmentation of work within these branches (large offices, numerous book-keepers and cashiers, and far-reaching division of labour). Paying and receiving money, settling accounts, keeping current accounts, storing money, etc. — all this, dissociated from the acts necessitating these technical operations, makes money-dealing capital of the capital advanced for these functions.

The various operations, whose individualisation into specific businesses gives rise to the money trade, spring from the different purposes of money itself and from its functions, which capital in its money-form must therefore likewise carry out.

I have pointed out earlier that finance developed originally from the exchange of products between different communities. [1]

Trading in money, commerce in the money-commodity, first developed therefore out of international commerce. Ever since different national coins have existed merchants buying in foreign countries have had to exchange their national coins for local coins, and vice versa, or to exchange different coins for uncoined pure silver or gold — the world-money. Hence the exchange business which is to be regarded as one of the natural foundations of modern finance.[2] Out of it developed banks of exchange, in which silver (or gold) serves as world-money — now called bank money or commercial money — as distinct from currency. Exchange transactions, in the sense of mere notes of payment to travellers from a money-changer in one country to a changer in another country, developed back in Rome and Greece out of the actual money-changing.

Trading in gold and silver as commodities (raw materials for the making of luxury articles) is the natural basis of the bullion trade, or the trade which acts as a medium for the functions of money as universal money. These functions, as previously explained (Buch I, Kap. III, 3, c [English edition: Ch. III, 3, c. — *Ed.*]), are two-fold: currency movement back and forth between the various national spheres of circulation in order to balance international payments and in connection with the migrations of capital in quest of interest; simultaneously, flow of precious metals from their sources of production via the world-market and their distribution among the various national spheres of circulation. Goldsmiths acted as bankers still during the greater part of the 17th century in England. We shall completely disregard the way in which the balancing of international accounts developed further in the bill jobbing, etc., and everything referring to transactions in valuable papers; in short, we shall leave out of consideration all special forms of the credit system, which do not as yet concern us here.

National money discards its local character in the capacity of universal money; one national currency is expressed in another, and thus all of them are finally reduced to their content of gold or silver, while the latter, being the two commodities circulating as world-money, are simultaneously reduced to their reciprocal valueratio, which changes continually. It is this intermediate operation which the money trader makes his special occupation. Money-changing and the bullion trade are thus the original forms of the money trade, and spring from the two-fold functions of money-as national money and world-money.

The capitalist process of production, just as commerce in general, even under pre-capitalist methods, imply:

First, the accumulation of money as a hoard, *i.e.*, here as that part of capital which must always be on hand in the form of money as a reserve fund of means of payment and purchase. This is the first form of a hoard, as it reappears under the capitalist mode of production, and as it appears generally with the development of merchant's capital, at least for the purposes of this capital. Both remarks apply to national, as well as international, circulation. The hoard is in continuous flux, pours ceaselessly into circulation, and returns ceaselessly from it. The second form of a hoard is that of idle, temporarily unemployed capital in the shape of money, including newly accumulated and not yet invested money-capital. The functions entailed by this formation of a hoard are primarily those of safekeeping, bookkeeping, etc.

Secondly, however, this involves outlays of money for purchases, collecting money from sales, making and receiving payments, balancing payments, etc. The money-dealer performs all these services at first as a simple *cashier* of the merchants and industrial capitalists." [3]

The money trade becomes fully developed, even in its first stages, as soon as its ordinary functions are supplemented by lending and borrowing and by credit. Of this more in the next part, which deals with interest-bearing capital.

The bullion trade itself, the transfer of gold or silver from one country to another, is merely the result of trading in commodities. It is determined by the rate of exchange which expresses the standing of international payments and the interest rates in the different markets. The bullion trader as such acts merely as an intermediary of the results.

In discussing money and the way its movements and forms develop out of simple commodity-circulation, we saw (Book 1 Ch. III) that the movements of the mass of money circulating as means of purchase and payment depend on the metamorphosis of commodities, on the volume and velocity of this metamorphosis, which we now know to be but a phase in the entire process of reproduction. As for securing the money materials — gold and silver — from their sources of production, this resolves itself into a direct exchange of commodities, an exchange of gold and silver as commodities for other commodities. Hence, it is itself as much a phase of the exchange of commodities as the securing of iron or other metals. However, so far as the movement of precious metals on the world-market is concerned (we here leave aside movements expressing the transfer of capital by loans — a type of transfer which also obtains in the shape of commodity-capital), it is quite as much determined by the international exchange of commodities as the movement of money as a national means of purchase and payment is determined by the exchange of commodities in the home market. The inflow and outflow of precious metals from one national sphere of circulation to another, inasmuch as this is caused merely by a depreciation of the national currency, or by a double standard, are alien to money circulation as such and merely represent corrections of deviations brought about arbitrarily by state decrees. Finally, as concerns the formations of hoards which constitute reserve funds for means of purchase and payment, be it for home or foreign trade, and which also merely represent a form of temporarily idle capital, they are in both cases necessary precipitates of the circulation process.

If the entire circulation of money is in volume, form and movement purely a result of commodity-circulation, which, in its turn, from the capitalist point of view, is only the circulation process of capital (also embracing the exchange of capital for revenue, and of revenue for revenue, so far as outlay of revenue is effected through retail trade), it is self-evident that dealing in money does not merely promote the circulation of money, a mere result and phenomenon of commodity-circulation. This circulation of money itself, a phase in commodity-circulation, is taken for granted in money-dealing. What the latter promotes is merely the technical operations of money circulation which it concentrates, shortens, and simplifies. Dealing in money does not form the hoards. It provides the technical means by which the formation of hoards may, so far as it is voluntary (hence, not an expression of unemployed capital or of disturbances in the reproduction process), be reduced to its economic minimum because, if managed for the capitalist class as a whole, the reserve funds of means of purchase and payment need not be as large as they would have to be if each capitalist were to manage his own The money-dealers do not buy the precious metals. They merely handle their distribution as soon as the commodity trade has bought them. They facilitate the settling of balances, inasmuch as money serves as the means of payment, and reduce through the artificial mechanism of these settlements the amount of money required for this purpose. But they do not determine either the connections, or the volume, of the mutual payments. The bills of exchange and the cheques, for instance, which are exchanged for one another in banks and clearing houses, represent quite independent transactions and are the results of given operations, and it is merely a question of a better technical settlement of these results. So far as money circulates as a means of purchase, the volume and number of purchases and sales have no connection whatever with money-dealing. The latter can do no more than shorten the technical operations that go with buying and selling, and thus reduce the amount of cash money required to turn over the commodities.

Money-dealing in its pure form, which we consider here, *i.e.*, set apart from the credit system, is thus concerned only with the technique of a certain phase of commodity-circulation, namely, that of money circulation and the different functions of money arising in its circulation.

This substantially distinguishes dealing in money from the dealing in commodities, which promotes the metamorphosis of commodities and their exchange, or even gives this process of the commodity-capital the appearance of a process of a capital set apart from industrial capital. While, therefore, commercial capital has its own form of circulation, M — C — M, in which the commodity changes bands twice and thus provides a reflux of money, as distinct from C — M — C, in which money changes hands twice and thus promotes commodity exchange, there is no such special form in the case of money-dealing capital.

In so far as money-capital is advanced by a separate class of capitalists in this technical promotion of money circulation — a capital which on a reduced scale represents the additional capital the merchants and industrial capitalists would otherwise have to advance themselves for these purposes-the general form of capital, M — M', occurs here as well. By advancing M, the advancing capitalist secures M + ΔM. But promotion of M — M' does not here concern the material, but only the technical, processes of the metamorphosis.

It is evident that the mass of money-capital with which the money-dealers operate is the money-capital of merchants and industrial capitalists in the process of circulation, and that the money-dealers' operations are actually operations of merchants and industrial capitalists, in which they act as middlemen.

It is equally evident that the money-dealers' profit is nothing but a deduction from the surplus-value, since they operate with already realised values (even when realised in the form of creditors' claims).

Just as in the commodity trade, there is a duplication of functions, because a part of the technical operations connected with money circulation must be carried out by the dealers and producers of commodities themselves.

Notes

1. *Zur Kritik der politischen Oekonomie,* S. 27.

2. "The great differences among coins as concerns their grain and coinage by many princes and towns that were privileged to coin money, necessitated the creation of business establishments to enable merchants to use local money wherever compensation for the different coins was required. To be able to make cash payments, merchants who travelled to a foreign market provided themselves with uncoined pure silver, or gold. In the same way they exchanged money received in local markets for uncoined silver or gold when returning home. The business of exchanging money, the exchange of uncoined precious metals for local coins, and vice versa, thus became a widespread and paying business." (Hullmann, *Städtewesen des Mittelalters.* Bonn, 1826-29, I, S. 437-38.) "Banks of exchange do not owe their name to the fact that they issue bills of exchange... but to the fact that they used to exchange coins. Long before the establishment of the Amsterdam Bank of Exchange in 1609, there existed in the Dutch merchant towns money-changers and exchange houses, even exchange banks... The business of these money-changers consisted in exchanging the numerous varieties of coin brought into the country by foreign traders for the currency of the realm. Gradually their circle of activity extended... They became the bankers and cashiers of their times. But the government of Amsterdam viewed as dangerous the combination of cashier and exchange businesses, and to meet this danger it was resolved to establish a large chartered institution able to perform both the cashier and exchange operations. This institution was the famous Amsterdam Bank of Exchange of 1609. In like manner, the exchange banks of Venice, Genoa, Stockholm, Hamburg, owe their origin to the continual necessity of changing money. Of all these, the Hamburg Exchange is the only one today still doing business, because the need for such an institution is still felt in that merchants' town, which has no Mint of its own, etc." (S. Vissering, *Handboek van Praktische Staathuishoudkunde,* Amsterdam, 1860-61, I, 247-48.)

3. "The institution of cashier has probably nowhere preserved its original independent character so pure as in the Dutch merchant towns" (cf. on the origin of the cashier business in Amsterdam. E. Lusac, *Holland's Rykdom,* Part III). "Its functions coincide in part with those of the old Amsterdam Bank of Exchange. The cashier receives from the merchants, who employ his services, a certain amount of money, for which he opens a 'credit for them in his books. Later, they send him their claims, which he collects for them and credits to their account. At the same time, he makes payments on their drafts *(kassiers briefes)* and charges the amounts to their account. He makes a small charge for these receipts and payments, which yields him a remuneration for his labours only corresponding to the size of the turnover accomplished between the two parties. If payments are to be balanced between two merchants, who both deal with the same cashier, such payments are settled very simply by mutual entries in the books, for the cashiers balance their mutual claims from day to day. The cashier's actual business thus consists basically of this mediation in payments. Therefore, it excludes industrial enterprises, speculation, and opening of unlimited credits; for it must be the rule in this business that the cashier makes no payment over and above the credit of any one keeping an account with him." (Vissering, *loc. cit*., p. 434.) Re the banking associations of Venice: "The requirements and locality of Venice, where carrying bullion was less convenient than in other places, induced the large merchants of that city to found banking associations under due safeguards, supervision and management. Members of such associations deposited certain sums, on which they drew drafts for their creditors, whereupon the paid sum was deducted from the debtor's account on the page of the book reserved for that Purpose and added to the sum credited in the same book to the creditor. This is the earliest beginning of the so-called giro banks. These associations are indeed old. But if attributed to the 12th century, they are being confounded with the State Loan Institute established in 1171." (Hüllmann, *Loc. cit.,* pp. 453-54.)

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