

Chapter 5

Marx on Money, Finance, and Power in Capitalism

Money is a concept as central as it is contested in economics research.¹ Mainstream economics usually defines money as all assets which fulfil the monetary functions of medium of exchange, unit of account, and store of value (Mankiw 2012, 324). Although foundational to markets, orthodox approaches assume “monetary neutrality” (Mankiw 2012, 370): money affects nominal but not real variables of the economy. Despite being dominant, this perspective has become increasingly under scrutiny in recent years, especially after the great financial crisis of 2008. For instance, political economy scholars have challenged the functional definition, criticising that it does not reveal anything about the “nature of money” (Ingham 2004). Popular critics have argued that money is not a thing but a social relation, specifically, a credit-debt relationship (Ingham 2004; Pettifor 2017). Commercial banks create money “out of thin” air in modern capitalism by issuing credit (Lavoie 2020; Werner 2014). Notably, modern governments have delegated the power to produce money to commercial banks, which is an important dimension to understanding contemporary inequalities (Desan 2014; Pistor 2019; Wullweber 2019). As such, these criticisms eschew the dominant understanding of money as a neutral economic institution, politicising the power of (producing) money and highlighting the inequality between creditors and debtors. Arguably, these basic assumptions are the foundations of a ‘new critical orthodoxy’.²

It would seem that such a critical approach is useful for understanding the rise of commercial microfinance and the proliferation of household debt in the global South. However, understanding money primarily as a social relation of debt limits

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- 1 The history of the philosophy of money is rich and diverse and cannot be discussed here at length. For an overview, see e.g. Eich (2022). Rather than summarising different theories of money, this section makes the case for engaging with Marx’s understanding of money, finance, and power to understand the structural violence of financial inclusion in the present.
 - 2 I borrow the term “new critical orthodoxy” from Brand (2016), who uses it to criticise the emergence of critical sustainability studies engaging with escalating climate change and the necessity of changing the fossil fuel-based growth model without challenging the power relations underpinning the present political ecology of inequality.

the explanatory capacities of credit theories substantially. First, it focuses on financial relations as isolated from the broader political economy. Second, in foregrounding the credit-debt relation, (micro-)finance is primarily studied as a relationship between borrowers and creditors, ignoring the relevance of the labour-debt nexus. Third, focussing exclusively on the power of commercial banks to produce money, these approaches usually imply a mono-dimensional understanding of power, confined to the creation of credit money. Moreover, equating money and credit implies a flat ontology in which all kinds of debt (whether from moneylenders or microfinance organisations) are the same.

Engaging with this criticism, this chapter argues that reading Marx's philosophy of money, finance and power in capitalism presents a promising foundation for studying the proliferation of commercial microfinance. Interestingly, the new critical orthodoxy draws on diverse canonical thinkers like Georg F. Knapp, Alfred Mitchell-Innes, Max Weber, Georg Simmel, and John M. Keynes but refrains from a deeper engagement with Karl Marx. It is often claimed that Marx's (commodity) theory of money is naturalist, claiming that gold *is* money and that his theory of value is essentialist, simply maintaining that labour *is* value (Ingham 2004, 61f.). These interpretations are partly grounded in existing ambiguities, blind spots, and contradictions in Marx's voluminous writings and partly in failing to understand the different levels of abstraction employed in *Capital I*.³ The following seeks to demonstrate that Marx's understanding of money and finance remains relevant to date because it explains *why* and *how* money can perform diverse functions in capitalist social formations, providing the basis for a deeper critique of the old orthodoxy.⁴ Therefore, I will first engage with Marx's understanding of the nature of money and how it is not a social relation of debt but rather a societal relation of oppression. Then, I will continue discussing the monetary foundations of finance capitalism and how this perspective explains the structural violence of financial inclusion.

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- 3 On the one hand, Marx analyses the basic forms of the capitalist mode of production in its ideal historical average, arguing on a highly abstract level of social theory. On the other hand, he frequently uses empirical examples of specific institutional configurations that marked the political economy of capitalism as it appeared in his time. And at times, he conflates these two levels of abstraction or insufficiently distinguishes between them, laying the ground for numerous misinterpretations. This is the case for several parts where he equates money with gold.
- 4 Marx explicitly discusses various functions of money, most importantly money as means of circulation (exchange), as measure of value, as store of value, as means of deferred payment, and as world money. However, these functions cannot explain the nature of money. Rather, the nature of money explains why money can perform these functions in the economy. Therefore, the various functions of money in Marx's work will not be discussed in detail here. For an overview see Marx (1976, 188ff.), and for a detailed discussion of its relevance to understanding contemporary capitalism see, for example, Harvey (2006a, 11ff.) de Brunhoff and Foley (2006), Jessop (2013), and Ivanova (2020).

Money as Everything and Nothing

For Marx, the nature of money cannot be understood by defining it on its own terms. He was very aware of the fluid and opaque character of money, paying specific attention to its peculiar *social* form. Hence, he suggested studying the nature of money in relation to the reproduction of society at large. In *Grundrisse*, Marx speaks of money as “an essential relation of production” to highlight the way in which forms of money change over space and time:

“Various forms of money may correspond better to social production in various stages; one form may remedy evils against which another is powerless; but none of them, as long as they remain forms of money, and as long as money remains an essential relation of production, is capable of overcoming the contradictions inherent in the money relation, and can instead only hope to reproduce these contradictions in one or another form.” (Marx 1973, 123)

But what are these fundamental contradictions that, according to Marx, are inherent to any money form? This is where the nature of commodities, and in particular their contradictory character, must be taken into consideration. Not because money is a commodity (e.g. gold) but because, as Marx famously declares in the opening passage of *Capital I*, commodities are the “elementary form” in which wealth appears in “societies in which a capitalist mode of production prevails” (Marx 1976, 123).

Thus, money is a peculiar *social form of value* in which value is expressed independently of a product’s specific qualities. This expression of value is tied to the dual and contradictory nature of commodities. Only because products can be expressed in a value abstracted from their inherent qualities (as use values) do they become commodities. The social form of commodities (exchange value) exists in the form of money, while the physical form (use value) exists naturally. This process is far from straightforward since it entails that entirely different things, which seem to have nothing in common, are made commensurable by abstracting from their specific and concrete existence. In other words, the particular qualities of commodities as use-values are “extinguished” in the *money form*, just as the difference of the production process creating these specific use-values is rendered invisible so that they can be expressed independently as quantitative relations, and they can exist as values autonomously (Marx 1981, 516).⁵ From this perspective, money is not only abstract money of account or measure of value, as stressed by credit theorists. Money, though

5 Marx uses the expression of money as *selbständiger (Tausch-)Wert* at various points in *Grundrisse* and *Capital*. The English version usually translates *selbstständig* as *independent* to highlight the existence of (exchange) value alongside the use-value qualities of commodities. However, the German word *selbstständig* also means *autonomous*, emphasising that commodity’s (exchange) values develop a life of their own.

tied to all commodities, is different from the latter, for it is the immediate *expression* of value, its specificity being value (Heinrich 2001).⁶

To emphasise the coordinating role money plays in any complex society, characterised by a certain degree of division of labour, is not the same as to say money emerged from barter. Quite to the contrary, exchange in the money form and barter are qualitatively different processes. The latter, which Marx referred to as “real exchange”, is characterised by *specific* products with *distinct* properties that may only be exchanged if they fulfil particular conditions. Barter thus creates a unique, qualitative relationship between exchanged products. No complex real economy could be sustained on this premise, where exchange-relations are based on goods’ physical and natural properties (McNally, 2011, 122). The peculiarity of exchange in the money form is that a commodity becomes related to *all* other commodities as an independent expression. It becomes countable, “equally divisible”, and “always exchangeable” as value as if thrown into a melting pot that creates a common texture for entirely different things:

“As a value, a commodity is an equivalent for all other commodities in a given relation. As a value, the commodity is an equivalent; as an equivalent, all its natural properties are extinguished; it no longer takes up a special, qualitative relationship towards the other commodities; but is rather the general measure as well as the general representative, the general medium of exchange of all other commodities. As value, it is money” (Marx 1973, 141)

Understanding money as *everything* and *nothing* highlights its transient character, embodying both the *immateriality* of value and the *material* form in which commodities as bearers of value appear in the process of valorisation. In this sense, “[a]ll commodities are perishable money; [and] money is the imperishable commodity” (Marx 1973, 149). Thus, money is “the form in which all commodities equate, compare, measure themselves; into which all commodities dissolve themselves; that which dissolves itself into all commodities; the universal equivalent” (Marx 1973, 142). It follows that value is nothing inherent *in* commodities but rather a relation *between* all commodities – a contradictory relation between qualitatively distinct things that are incomparable in every sensuous aspect but made comparable by abstracting from their individual qualities.

Since the process of equalising different commodities is also the equalisation of different labour processes necessary to produce these commodities in the first place, Marx claimed the substance of value is *abstract labour*.⁷ The equality of differ-

6 Heinrich (2001) thus speaks of a “monetary theory of value”.

7 This does not imply that labour *is* money. Rather, the concept of ‘abstract labour’ seeks to highlight how the atomised labour of commodity producers must become social labour in order to facilitate commodity exchange, and for this to happen the concrete labour must take

ent labour can only exist as an abstraction of their actually existing inequality by reducing commodity's qualities to the only common character they possess, that is, being products of human labour, hence abstract (social) labour. In this sense, the alienation of individual producers from their social relationships is a prerequisite for money to emerge (Nelson 1999, 4ff.). To say a commodity's use value, its uniqueness, its concreteness is extinguished in the money form also means that the specific, unique and concrete labour process creating this commodity is extinguished, only appearing as a portion of total value:

“When we equate coats, linen and gold, therefore, we are equating weaving, spinning and mining – each of which is a qualitatively distinct work-process. We are saying that each of these unique labour-processes, however much they differ concretely as productive activities creating distinct use-values, have produced the same intangible thing: a certain quantity of value, measurable by money” (McNally 2011b, 123)

In other words, money is the direct form of existence of abstract labour, for only in this form can private labour be socially recognised as value-producing labour in exchange (after production). As such, money is far more than a unit of account or means of circulation. It is a necessary *medium of socialisation* under capitalist social relations (Heinrich 2001).

If critiques argue that Marx's theory of money or the labour theory of value is based on the nature of commodities or the assumption that social labour produces value and that it is, therefore, naturalist, essentialist or reductionist, they fail to understand the centrality of the *societal* character of labour producing commodities, which distinguishes Marxist approaches from classical political economy. As Michael Heinrich emphasises, the distinctiveness of commodities as exchange value has nothing to do with their physiological character and has everything to do with the specific social form of labour that underpins their production. The existence of value in commodities only is a “phantasmal concreteness” (Heinrich 1994, 10). It appears as an independent expression of things, although it does not have any objective basis in these things. Its value objectivity is the result of social recognition, not as an individual or intentional act, but as the effect of a particular form of socialisation.

These thoughts are no mere philosophical exercise. They have profound implications for understanding the power of money. For the new critical orthodoxy, the power of money is expressed in the inequality of creditor-debtor relationships and in the privilege of certain financial institutions, like commercial banks or a central bank, to create money by way of credit. As outlined above, such a perspective stresses

an independent value form, i.e. money, for it to be commensurable with other commodities and labour processes (Heinrich 1994; Saad-Filho 1993).

the role of the sphere of circulation while remaining blissfully ignorant towards the sphere of production and the role of labour therein – let alone the sphere of social reproduction. The following section will outline the basic characteristics of money's social power.

Money, Power, and Class Rule

In his earlier writings, like the *Paris Manuscripts* (1844), *Economic and Philosophical Manuscripts* (1844), and *Grundrisse* (1857), Marx speaks of money as an 'object of eminent possession', as an 'almighty being', a 'real God', as 'bond of all bonds', as 'confusion and exchange of all things', as the 'estranged essence of men's existence' and as the 'alienated ability of mankind'. How can one make sense of the rich metaphorical language? Do all these definitions and images highlight the inconsistency and derangement of Marx's monetary theory? Or are they rather an expression of how Marx consciously developed a creative, multi-layered, and fantastic conceptualisation of money, because only in doing so could he understand what the classical political economists did not see and what the new critical orthodoxy also fails to comprehend.

Money is everything and nothing because commodities in economic space can only relate to each other by expressing themselves in a general referent, by taking a "social existence *separated from the natural existence* of the commodity." (Marx 1973, 145). The wider the economic space of commodities is, the more powerful money becomes. Although money, commodities, and capital have existed for centuries and long before the advent of an emerging capitalist world market in the long sixteenth century, the power of money was circumscribed by the social production underpinning the reproduction of societies. The capitalist mode of production, in contrast, is defined by its inherent drive to accumulate, and accumulation only works through (self-)valorisation (Marx 1976, 254).

Marx speaks of capital as "money which begets money" (Marx 1976, 256) to highlight that money is not capital *per se*. It only becomes capital in specific social relations in which money is valorised, whether in production, trade, or finance. In other words, money only is *potential* capital (Marx 1981, 477). In this context, the power of money is contingent upon the social relations of production. Only in capitalist social formations does money become an 'almighty being', not because money, commodities, or capital didn't exist before, but because the relations of production under capitalism are such that they build on and intensify the relentless movement of value (thus capital as value-in-motion). Its nature as a medium of socialisation successively turns money into an 'almighty being' and, eventually, into a condition of existence, revealing a dimension of power that credit theorists fail to acknowledge:

“By possessing the property of buying everything, by possessing the property of appropriating all objects, money is thus the object of eminent possession. The universality of its property is the omnipotence of its being. It therefore functions as the almighty being. Money is the pimp between man's need and the object, between his life and his means of life. But that which mediates my life for me, also mediates the existence of other people for me. For me it is the other person.” (Marx 1988, 136)

Money's omnipotence is inscribed into its value form as a universal equivalent, but the effectiveness of its power is contingent upon the universalisation of the commodity form, that is, the expansion of capitalist social relations, in particular, the commodification of economic space. Therein, money becomes a condition of existence, mediating human life and obscuring the fact that our existence is mediated by other human beings and, in fact, their labour. This is what Marx famously describes as the “money fetish” in *Capital I*, a concept that only becomes fully apparent through understanding the “fetishism of the commodity” underlying it (Marx 1976, 163).⁸

Moreover, money expresses a structural break between life and the means of life. As such, it also embodies a central aspect of what I call fractured lives. Under capitalist social relations, money literally turns into something natural, a means of existence and necessity for life – just as humans require oxygen or water to live. As such, money creates and sustains capitalism's second nature, “money replaces nature as the essential condition of human life”, dictating “that access to the necessities of life shall depend upon money – and sufficient quantities of it at that” (McNally 2011b, 148–49, see also 2020, 46). In this regard, the coercive and violent nature of money becomes apparent. Money is not only a means of socialisation. It is a coercive and divisive form of socialisation, expressing and reifying unequal power relations in society, i.e. class relations and hierarchies between nation-states.⁹ In *Economic and Philosophical Manuscripts*, Marx summarises this coercive and divisive aspect brilliantly by defining money as ‘bond of all bonds’, consisting of the contradictory character of it being simultaneously a ‘binding agent’ and an ‘agent of divorce’:

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- 8 Here again, the English translation is incomplete, it simply speaks of the ‘money riddle’ and the ‘commodity riddle’. In the German version, Marx highlights that the ‘money riddle’ is the visible expression of the ‘riddle of the commodity fetish’.
 - 9 Class is here understood not as a fixed category that derives automatically from income or wealth. Rather, it describes the positioning of social groups within the given relations of production. It thereby also establishes a relation between different classes in a distinct mode of production. And finally, class is essentially produced through the struggle over the relations of production, including the means of revenue through labour, ownership of capital and/or land (Harvey 1998; Skeggs 2022).

“If money is the bond binding me to human life, binding society to me, binding me and nature and man, is not money the bond of all bonds? Can it not dissolve and bind all ties? Is it not, therefore, the universal agent of separation? It is the true agent of divorce as well as the true binding agent – the [universal] galvanic-chemical power of Society.” (Marx 1988, 138)

Fractured lives, hence, not only refer to the fracture between life and means of life at the individual level. It also highlights the fractures that run through the social body and allow money to wield such enormous power in society. The social power of money is grounded in its property as ‘bond of all bonds’, and it can be appropriated privately. In the words of Marx, the “social power [of money] becomes the private power of private persons” (Marx 1976, 230). Since money is an independent expression of value with a separate social existence (alongside its natural existence as a commodity) as much as a relation of production, that is, its power is an expression of any given relations of production in society, it necessarily also reflects the class relations characterising such social formations. Therefore, money is a class-based form of power in which the social power of money is unevenly appropriated (Clarke 1988, 17; Harvey 2006, 24; 256; Lapavistas 2003, 66). When Marx argues that with money, “[t]he individual carries his social power, as well as his bond with society, in his pocket” (Marx 1973, 157), he emphasises how class rule becomes obscured, ordinary and naturalised through the peculiar nature of money.¹⁰ As such, money is not simply a social relation. Instead, it is best understood as a *societal relation of oppression*.

Why are these foundational relations of political economy so difficult to grasp? Marx grappled with this question in many of his writings and delivered some convincing explanations. These are once again linked to the peculiar *social* form of money. Money, as ‘bond of all bonds’, does not *appear* as a social bond, less so as a social bond of class rule. Instead, “money presupposes the objectification [*Versachlichung*] of the social bond; in so far, that is, as money appears in the form of collateral which one individual must leave with another in order to obtain a commodity from him” (Marx 1973, 160). The trustworthiness of this collateral is, however, based on *objectified* exchange value, which in turn is based on the alienation of labour turning into “a mutual relation between people’s productive activities” (Marx 1973, 160). Put differently, what underpins the money form as *social* value (in circulation), is the appropriation through alienation (in production). The nature of money can only be understood as a cyclical process: Money emerges as an independent expression of a

10 Simon Clarke (1988, 17) emphasises that the “social power of capital is not embodied in the person of the capitalist, but in the social power of money”. In this regard, money is not simply a tool of power of ruling classes. It is an “autonomous social power” and as such expression “of the subordination of all human needs to the needs of capital, to the capitalist thirst for profit.” (Clarke 2003, 35).

commodity's value in circulation but must be based on the 'abstract labour' in producing this commodity, which in turn can only be socially validated in circulation. Thereby, money already anticipates the movement of capital as value-in-motion, which is why Marx speaks of money as *potential* capital.¹¹

What characterises capitalist social formations is that money does not primarily rule based on personal dependency but as objective domination (*sachliche Herrschaft*), in which individuals are governed by abstractions. Make no mistake in taking this for an idealist position. Quite to the contrary, "[t]he abstraction, or idea, however, is nothing more than the theoretical expression of those material relations which are their lord and master" (Marx 1973, 164). By governing through concrete abstractions, money conceals its class-based form of power, which is much less apparent than class relations in the labour process (Harvey 2006, 17; Soederberg 2015, 21). Even more importantly, the objectification of social relations suggests that there is no privileged position of the exploited and expropriated classes to understand the complexity of their oppression because it does not *appear* as such (Heinrich 2001, 5).

To make it short, the abstraction, alienation, and objectification that constitute money as a peculiar value form make its common understanding so difficult. Speaking of money as everything and nothing acknowledges what money *is* and *does*. As an "active concept of value", money "confounds and exchanges everything. It is the general *confounding* and *compounding* of all things – the world upside-down – the confounding and compounding of all natural and human qualities" (Marx 1988, 140). Money beholds a creative and fantastic power to "turn an image into reality and reality into mere image" (Marx 1988, 139) because it allows those who possess it to acquire all things to fulfil their desires – especially those they could otherwise not have.¹² Though imaginary, immaterial, and opaque, money embodies specific social relations of production, i.e. material relations of exploitation, and hence is described by Marx as the "alienated ability of mankind" (Marx 1988, 138).

Reading his earlier writings makes it abundantly clear that Marx developed a *relational* ontology of money, in which money's property and essence can only be understood in relation to social activities, which in turn are conditioned by specific material circumstances. In his perceptive critique of one of the leading classical political economists, James Mill, Marx writes:

11 In this sense, "[c]irculation is the movement in which the general alienation appears as general appropriation and general appropriation as general alienation." (Marx 1973, 196).

12 In *Economic and Philosophical Manuscripts*, Marx illustrates this truly creative power vividly: "If I long for a particular dish or want to take the mail-coach because I am not strong enough to go by foot, money fetches me the dish and the mail-coach – i.e., it converts my wishes from the realm of imagination, it translates them from their meditated, imagined or willing existence into their *sensuous, actual* existence, from imagination to life, and from imagined being into real being. In effecting this mediation, money is the truly creative power." (Marx 1988, 139).

“The essence of money is not, in the first place, that property is alienated in it, but that the *mediating activity* or movement, the *human*, social act by which man’s products mutually complement one another, is *estranged* from man and becomes the attribute of money, a *material thing* outside man. [...] It is clear that this *mediator* now becomes a *real God*, for the mediator is the *real power* over what it mediates to me. [...] This *mediator* is therefore the lost, estranged *essence* of private property, private property which has become *alienated*, external to itself, just as it is the *alienated* species-activity of man, the *externalised mediation* between man’s production and man’s production.” (Marx 1844a)

This proposition consciously refutes money’s essence to a property, even if this property was alienated. Instead, the essence of money can only be grasped by studying the social act of commodity exchange as an alienated social form of relating entirely different labour processes to one another, as if they were of the same kind. Furthermore, Marx stresses how this process of economic socialisation enabled by the money form of value is ultimately also the alienation of humankind’s species-activity, i.e. labour. Thus, the progressive spatial and temporal extension of the commodity economy builds on money as its “lifeblood” while simultaneously intensifying its contradictions, including the alienation “from our species-being, our cooperative and imaginative potential” (Haiven 2020, 108).¹³

Hence, the materialism of Marx’s monetary theory has nothing to do with money being a tangible, material thing and has everything to do with uncovering, explaining, and criticising the ordinary, seemingly natural dehumanisation and violence inherent in the commodity and money form. As David McNally reminds us, ultimately, the social power of money in capitalist social formations in the form of “capital directs and labour obeys” expresses the social power of money rooted “in the domination of their bodies (as repositories of labour)” (McNally 2020, 46). As a divisive and coercive form of socialisation, money implies structural violence, governing human lives *and* deaths in a god-like fashion:

“Money degrades all the gods of man – and turns them into commodities. Money is the universal self-established *value* of all things. It has, therefore, robbed the whole world – both the world of men and nature – of its specific value. Money is the estranged essence of man’s work and man’s existence, and this alien essence dominates him, and he worships it.” (Marx 1844b)

The disenchantment of the money veil is foundational for Marx’s critique of political economy, which always is a critique of both scientific inquiries, i.e. bourgeois political economy, and a critique of the violence of capitalist social relations.

13 For a detailed discussion of Marx’s ‘alienation theory of money’, see Nelson (1999, chapter 2).

In sum, we can speak of money as everything and nothing in several senses. Historically, different ‘things’ have taken the value form of money (e.g. shells, hides, cattle, precious metals, paper, etc.), at least in fulfilling partial functions. Yet, none of these things is the nature of money, for they only represent value relations in each period, reflecting the social relations of production. Although Marx equates gold with money in several instances in his writings (especially in *Capital I*), his theoretical framework offers ways to think through money in a non-reductionist and non-essentialist way, and particularly his early writings on the philosophy of money stand in stark contrast to a ‘crude materialist’ interpretation of gold as money.¹⁴ Marx recognised that gold and silver could be replaced by other forms of money, such as bank notes or mere symbols, as with electronic money, “because material money as mere medium of exchange is itself symbolic” (Marx 1973, 212).¹⁵ In this sense, we can talk of money as *everything* and *nothing*.

Theoretically, understanding money as everything and nothing allows us to approach the creative, multilayered, and fantastic nature of money from various angles. The commodity is foundational for Marx’s theory of money, not because money is a commodity but because money is the only possible, separate, independent, *social* existence of the commodity’s value in exchange. The money form allows the impossible, “allowing all substantial variety to be wrapped up in its formal quality as the common referent; money is so to speak, a *socially constructed substanceless nothing*. Yet without nothing no-one is worth anything.” (Altvater 1997, 49). The latter point speaks to the way power and money are inseparably related in capitalist social formations since, as the universal equivalent, money also is “the very incarnation of social power” (Harvey 2006, 245). As such, it allows for objective domination (*sachliche Herrschaft*), which characterises capitalist class rule.

Practically, to speak of money as everything and nothing recognises how, under capitalist social relations, money as the reincarnation of social power, allows for the unequal possession and appropriation of wealth, which is always linked to the dehumanisation and violence inflicted on labourers producing such wealth. Moreover, since every *thing* can take on the commodity form and can become purchasable and saleable by putting a price tag on it, money conceals what has been transformed into it – the so-called “money fetish” (Marx 1976, 187). The limits to what can be expressed in monetary value seem to be indefinite, especially in today’s world, where

14 Of course, there are different interpretations as to whether money must be a commodity in Marx’s theory of money. While many prominent Marxist theorists claim money must be a commodity, Marx indicates at various points how money as independent expression of value develops an autonomous dynamic.

15 There are many other instances where Marx explicitly rejects a ‘crude materialist’ understanding of money or value, and where he emphasises the symbolic nature of both: As such, value is a “mere symbol, a cipher for a relation of production, a mere symbol for its own value” (Marx 1973, 141; see also 1981, 516).

everything from ecosystem services to the death of human beings is measured by the same standard – monetary value – as if these processes were comparable. As an independent expression of value, money is characterised by a relative autonomy that takes on a dynamic of its own, one which takes on even more creative and fantastic forms through the development of credit and finance. To this end, the following section will discuss the role of credit money and the topsy-turvy world of finance capital.

The Topsy-Turvy World of Credit and Finance Capital

In contrast to a credit theory of money, Marx offers a monetary view of credit. Credit money emerges from two distinct but interrelated processes. It is primarily linked to money's function as a means of payment, which implies the possibility of sale and purchase at different points in time (Marx 1976, 232ff.). Such commercial credit (money) comes into being every time a seller allows a buyer to acquire a commodity in the present (sale) while the payment is due at a defined future date (purchase). In such a case, the commodity is not sold for money but for a recorded "promise of paying" (Marx 2012, 469), specifying a date for final payment. This seemingly simple process entails a complex social form. Money as means of payment acts as a measure of value and unit of account in contractually determining the price of a purchased commodity, and fixing it as a debtor's obligation, anticipating the social validation of a commodity's value (Ivanova 2020, 140). In this sense, we can speak of a pre-validation of social labour through credit money. A commodity's actual social validation, however, depends on its realisation in the market and can only occur once money as means of payment performs its second function as the final means of settlement (Ivanova 2020, 140). Throughout history, credit money has not only emerged as commercial credit. It has also appeared as relatively autonomous financial institution when professionalised moneylending mediates and manages capital in the money form for active capitalists (Heinrich 2020, 292f.). Ultimately, both channels merge in the modern banking system and coalesce into what credit theories stress as the "production of [credit] money" (Pettifor 2017). While Marx did not share the positions of the nominalists (his description of credit theories at the time), he was influenced by some of their thoughts¹⁶ and recognised the power of credit creation obtained by commercial banks as well as the contradictory public-private character that credit money takes in the modern era:

16 For a more detailed account of Marx's critique of the Banking School and Utopian Socialists proposing a labour-money, see e.g. Anitra Nelson (2005) and Stefan Eich (2022).

“A banknote is nothing more than a bill on the banker, payable at any time to its possessor and given by the banker in place of private drafts. This last form of credit seems especially striking and important to the layman, firstly because this kind of credit money emerges from commercial circulation into general circulation and functions here as money; also because in most countries the major banks that issue notes are a peculiar mishmash between national banks and private banks and actually have the government’s credit behind them, their notes being more or less legal tender; and because it is evident here that what the banker is dealing in is credit itself, since the banknote merely represents a circulating token of credit.” (Marx 1981, 529)

In other words, Marx was acutely aware of the existence of credit produced by private banks out of thin air. He also acknowledged that such credit money is simply an IOU in a hierarchy involving private and central banks. And finally, he stresses how such a private IOU potentially becomes legal tender because of the public-private “mishmash” that underpins the modern monetary, financial *and* state system (Marx 2012, 474).¹⁷ This private act is a dynamic process in which debts are continuously produced and cleared, in which “[c]redit money is perpetually created and destroyed through the activities of private individuals” (Harvey 2006, 236). Yet, Marx was cautious to understand credit money as money because credit (money) depends on money (income) which in turn only emerges once it “enters the domain of social production as an embodiment of the value of social labour or social purchasing power” (Ivanova 2020, 142).

Following Marx, scholars have argued that, with the development of the capitalist mode of production in general, and the credit system in particular, the relative importance and eventually dominance of money as *means of payment* vis-à-vis money as a *means of purchase* increases, implying that credit monies such as bills of exchange, bank notes, or loans become increasingly important vis-à-vis state-issued coin or paper money (Eich 2022, 110f.; Ivanova 2020, 140). Some scholars even hold that only fiat money is adequate for the developed capitalist mode of production, and credit money had not fully unfolded during Marx’s lifetime (Heinrich 2020, 304). Credit money allows the expanded reproduction of capital to occur more dynamically, increasing the scale of production and the extraction of surplus value and turnover time, accelerating the development of technology and the creation of the world market (Vasudevan 2019, 242). Yet, it simultaneously increases the contradictions inherent in the social forms of money, particularly the falling apart of sale and purchase, anticipating the accumulation of contradictions which ultimately erupt as monetary crises rooted in an “ongoing chain of payments [which] has been fully

17 A detailed historical analysis of this public-private mishmash and how the monetary, financial, and nation state system emerged, including its intimate relationship to colonialism and slavery can be found in McNally (2020, 121ff.).

developed, along with an artificial system for settling them” (Marx 1976, 236). Critics have argued that the post-Bretton Woods monetary order indicates the de-commodification of money, rendering Marx’s monetary theory irrelevant. While the former part is right in a formal sense because dollars cannot be exchanged against gold at a fixed rate anymore, this conclusion is hardly convincing. As David McNally argues, “the dollar can be readily exchanged for gold or any other commodity at prevailing market rates” (McNally 2020, 218). In contrast to understanding money as credit, the monetary foundations of credit explain how debt encounters individuals and institutions as seemingly external and objective power while obscuring and deepening processes of alienation, including the alienation of labourers from the means of existence and human beings in general from their species-being (Haiven 2020; Nelson 1999).

Credit money’s successive development and growing significance already point towards the fundamental role of capitalist banking and finance. While a detailed analysis of finance capital is beyond the scope of this section, the remainder of this chapter discusses two fundamental concepts, interest-bearing and fictitious capital. The distinction between these two is critical for understanding contemporary microfinance for several reasons: First, it explains why and how income-generating and consumption loans imply different financial flows. Second, the notion of fictitious capital illustrates how the financialisation of poverty connects microfinance borrowers within the operations of transnational financial markets. Finally, discussing these concepts makes the separation between pre-capitalist usury and capitalist finance evident.

The notion of interest-bearing capital complicates our understanding of the dynamics of money and finance. As Marx writes in *Capital III*, money can be turned into capital only because it is an independent expression of value, whether it exists in money or commodities (Marx 1981, 459). As capital, however, the independent expression of value is transformed into self-valorisation, hence value-in-motion. The use value of money is thus not only that it functions as a general equivalent but also that money *can* work as capital. And it is this capacity that allows “capital as capital [to] become a commodity” (Marx 1981, 463). In this context, it is of vital importance to distinguish between form and content. Credit relations appear as primarily contractual and juridical relations between a creditor and a debtor. Yet, this social form does not tell us much about the social content of these relations. Marx introduces the notion of interest-bearing capital to explain why and how credit money becomes a pivotal process for capital accumulation, seemingly disparate but interwoven with commodity production. If, in *Capital I*, Marx highlighted that capital primarily exists in commodity production, not in circulation, his notion of interest-bearing capital in *Capital III* complicates this suggestion. The movement of interest-bearing capital is a multi-layered process (M-M-C-M’-M’) wrapped around the simple form of capital (M-C-M’). Contrary to the simple form, money in this process is spent *as capital*

with the use value to produce surplus value (M-M), and it returns as *realised capital* (M'-M') (Harvey 2006, 256). Put differently, interest-bearing capital functions as capital already in circulation, turning capital into a commodity *for others*:

“Capital appears as a mysterious and self-creating source of interest, of its own increase. [...] The social relation is consummated in the relationship of a thing, money, to itself. Instead of the actual transformation of money into capital, we have here only the form of this devoid of content. [...] Thus it becomes as completely the property of money to create value, to yield interest, as it is the property of a pear tree to bear pears. And it is as this interest-bearing thing that the money-lender sells his money” (Marx 1981, 516)

Marx emphasises at various points in his work that the character and nature of interest-bearing capital is no social form confined to the modern era.¹⁸ Like merchant capital, usury as “archaic form of interest-bearing capital” (Marx 1981, 728) belongs to the oldest forms of capital that have existed long before the dominance of the capitalist mode of production over the global economy, and thus appear “[...] to the popular mind as the form of capital *par excellence*.” (Marx 1981, 744). These “antediluvian forms of capital” represent “capital’s mode of exploitation without its mode of production” (Marx 1981, 728, 731), anticipating the self-valorisation of money (M-M’).

In contrast to premodern forms, however, merchant and interest-bearing capital become increasingly embedded in the overall dynamics of capitalist development, simultaneously enhancing the capacities for capital accumulation and feeding surplus value produced in commodity production through, for example, fees and interest. This contradictory nexus is specific to the capitalist mode of production, with important implications for economic development: Interest-bearing capital in the form of usury generally tends to ruin individual producers through indebtedness, generally associating more debt with more dependence and poverty on the side of the debtor and increased power and wealth on behalf of the creditor (Marx 1981, 730). In contrast, the modern capitalist banking and credit system may provide an incentive for productive debts: A commercial bank granting a loan for a corporation investing in new production capacities would be a classical case, in which a sum of money is lent (not sold!) as capital, i.e. money with the property to create more money (M-M), allowing the borrowing company to expand its production (and thus exploitation of labour, M-C-M’), and to pay back the loan with an interest (M-M’), while potentially also retaining an own profit.¹⁹ In such cases, indebtedness can

18 Most notably, chapter 36 in *Capital III* discusses the relevance of pre-capitalist relations and how they become subordinated.

19 It is important to remember that the money capitalist remains the owner of money capital and simply lends the properties of capital (as commodity) to a functioning capitalist who invests it into commodity production. The profit that emerges from the appropriation of sur-

be productive, liberating and wealth-generating on behalf of the debtor (functioning capitalist), while simultaneously increasing the scope and wealth of the creditor (owner of money capital).

Interest-bearing capital then refers to all types of financial assets (like loans or property titles) which use money capital to create a source of regular revenue by enabling the expanded reproduction of capital. Overall, the development of the credit system, with interest-bearing capital at its centre, fulfils several essential functions for capitalist development, including the mobilisation of money as capital, reducing the cost and time of turnover, allowing for fixed capital formation, equalising the profit rate across economic space, and centralising capital (Harvey 2006, 260ff.). Analytically, interest-bearing capital sheds light on how capital as a whole is organised, with specialised functions of the entire processes divided amongst different factions of capital, including contradictions and tensions. Marx refers to interest-bearing capital as the “mother of every insane form” (Marx 1981, 596), reaching its “most superficial and fetishized form” (Marx 1981, 519) because the production of surplus value “appears as a purely occult quality [of self-valorising money]” (Marx 1981, 744). In its fetishised appearance, interest-bearing capital conceals the power of money, foregrounding the power of banks and financial institutions. However, “although it is the latter who wield the power of money, it is the *power of capital* in its most abstract form” (Clarke, 1988, 5). Credit theorists are often blinded by the powerful appearance of finance capital, without acknowledging how this power is part of and based in the broader relations of production beyond the glass towers of mighty financial institutions. Therefore, many contemporary credit theories of money arbitrarily highlight the power of finance without conceptually or empirically linking it to power relations characterising the overall political economy.²⁰ While at times it may seem that interest-bearing capital creates a smooth symbiosis between different factions of capital (basically win-win-situations in the sense of complementary division of labour within the capitalist class), it is rife with tensions and contradictions (Harvey 2006; Lapavistas 2014).

There is a particular form of interest-bearing capital that, although long neglected and generally poorly understood, is particularly relevant for the investigation at hand: fictitious capital.²¹ The concept of fictitious capital can become

plus value is consequently split into interest (for the owner of money capital), and a company profit (for the functioning capitalist).

20 Moreover, our understanding of class relations becomes refined, for instance, when considering that interest-bearing capital is not primarily opposed to labour but primarily acts in a contractually antagonistic relationship with functioning capitalists (Heinrich 2020, 287). The latter, in turn, also seems to stand in no direct antagonistic relationship to labour, because he does not *own* the employed capital.

21 There are multiple reasons for the neglect of Marx’s notion of fictitious capital in critical social theory until rather recently, including the unfinished character of his notes on fictitious cap-

meaningful only when exploring *why* capital may be considered fictitious and *what* the implications of this process are. Marx uses the term in two interrelated ways. First, it describes a sum of money treated as capital although it is not invested productively, turning it into “illusory capital” (Marx 2012, 523). For instance, public debt is generally not spent as capital but for investments in public services, like education, health care or public infrastructure. Yet, for sovereign bond owners, the tax-based interest payments seem to stem from their invested capital. This peculiarity points to a general confusion that interest-bearing capital creates: Every regular revenue of money in capitalist social formations appears as the interest of invested capital, regardless of whether interest payments spring from capital (Marx 2012, 520).

Marx’s second contention on fictitious capital refers to the illusory expression of value. The sovereign bond mentioned above seems to express value (in German: *Wertpapier*, literal ‘value paper’) and can be sold and bought in secondary markets, i.e. it becomes a tradable asset. Through fictitious capital, it seems as if capital exists twice – once as the capital value of the respective property title and once as the value of the employed capital on which the property title is based (Simon 2021). Accordingly, the value of such securities describes an independent movement, and the price of these tradable claims becomes autonomous. The value of fictitious capital is entirely based on expected revenue. Since the current valuation of expected future payments can change all the time, depending on numerous socio-cultural, political or economic processes and information about them, they are the most speculative form of capital. To be sure, capital is always speculative in the sense that capitalists can never be sure that the invested monetary value is also realised with a higher profit – be in commodity production or beyond. However, by defining an independent movement of capital value, the buying and selling of such property titles become a market with profit opportunities of its own and, in general, considerably higher price volatility than in other markets, turning financial accumulation into a potentially lucrative alternative investment of moneyed capital.²² As such, fictitious capital potentially augments the speed and scope of capital accumulation by producing debts and securities as a means of profit-making. The *differentia specifica* of fictitious capital – in contrast to the broader notion of interest-bearing capital – lies in the dynamic of capitalising “discounted income streams that can be traded in specialized markets” (Jessop 2015, 28) and that these tradable titles “constitute claims on

ital as well as methodological problems (for a detailed account see e.g. Breda 2021; Heinrich 2020, 289).

22 In this regard, David Harvey emphasises the contradictory and crisis-prone nature of fictitious capital since “future surplus value production is uncertain and varies according to the state of competition, the pace of technological change, the rate of exploitation and the overall dynamics of accumulation and overaccumulation” (Harvey 2006, 267).

future flows of income and surplus” (Vasudevan 2019, 77). This second dimension is crucial for understanding the structural re-organisation of global capital accumulation since the 1970s, commonly discussed under the buzzword financialisation.

Following Cédéric Durand, we can understand fictitious capital as the ‘nodal point’ of various processes that are associated with the neoliberal transformation of the world economy since the 1970s. These include the global expansion and deepening of financial markets with new actors, institutions and guiding principles, escalating corporate, household and government debt, the tendency toward privatisation of social security systems and of nature, the fragmentation of the worker’s movement (including the casualisation of wage work), and the proliferation of financial crises (Durand 2017; see also Lapavistas 2014; McNally 2011a). Speaking of financialised accumulation, finance-led or finance-dominated capitalism then refers to a specific phase and geography of capital accumulation that is significantly driven, if not dominated, by the imperatives of “accumulated claims upon production [and revenue]” (Marx 2012, 524), including a leading role of moneyed capitalists and their respective institutions in shaping capitalist development and re-organising the social fabric. Durand usefully distinguishes between “elementary forms of fictitious capital” such as government bonds or shares, and a “new generation of sophisticated forms of fictitious capital” (Durand 2017, 65) which has become particularly relevant with the rise of global finance in recent decades. These include a variety of derivatives like futures, options, and swaps and financial innovation based on the securitisation of assets. The latter allows for the repackaging of income streams from all types of loans (from mortgage loans to microfinance) into tradable securities (Bryan, Martin, and Rafferty 2009; McNally 2011a, 99), usually associated with the transformation of banking and, most importantly, the rise of shadow banking (Guttman 2016). David McNally summarises the implications of securitisation for the transformation of banking as follows:

“Securitization radically changes this model of banking. Instead of making loans, like a twenty-five-year mortgage, and holding them on its books, a bank now makes the loan and, for a fee, sells it off to an institution that specializes in creating “financial products,” such as mortgage-backed securities. In this system, banks move loans off their books almost as fast as they make them, collecting a fee every time they sell them to an investment bank or similar institution. In the process, they take themselves off the hook in the event of default. No longer is the mortgage (or credit card, or student loan) originator stuck if the borrower defaults. That risk is now passed on to the new owners of these debts, wealthy individuals and institutions who have purchased these debt-based securities. Securitization also means that a growing share of bank profits derive not from years of interest payments on mortgages and the like, but from the fees they make by selling such loans to investors.” (McNally 2011a, 99)

A monetary perspective of financial capital accumulation is necessary and analytically fruitful because it highlights how in contemporary capitalism, financial products like derivatives allow for the management of all kinds of risks – from currency fluctuations to default of microfinance borrowers – as if these risks were comparable, and in fact, commensurable. Just like incomparable commodities become commensurable by taking on the money form of value, entirely unrivalled types of risks (for profitability) are turned into tradable financial assets as if they were all of the same types. Only by abstracting concrete risks from their unique and complex context can these securities suggest to objectively measure and compare them, as if they were of the same kind. In other words, the value form of money allows fictitious capital to create complex chains of debts and securities of entirely incomparable social processes and relations, wrapping them together into a common texture that is “equally divisible” and “always exchangeable” (Marx 1973, 141), as in the case of derivatives. In this sense, abstract risk mimics the underlying dynamics of abstract labour as the social substance of value, including its fundamental contradictions (see also Bryan, Rafferty, and Jefferis 2015; McNally 2011a, 115).

Since financial securities are nothing but claims on future income streams, financialisation allows for extending the commodity principle along the axis of space and time. Phytos Lysandrou (2016) has referred to the latter process as the “systematic occupation of the future” or the “colonization of the future”, removing pressures of institutions (like governments and corporations) in the present (see also Blackburn 2006). His argument criticises most heterodox economics approaches, including many Marxists, for treating financialisation as a primarily dysfunctional and temporary phase of capital accumulation. Whilst failing to acknowledge how financialisation – despite inherent contradictions – allows to reconcile real and financial sector interests, “in that governments and corporations, on the one hand, need to issue increasing amounts of securities to maintain their *capacities* for production or service provision, and in that large institutional investors, on the other hand, need to absorb increasing amounts of these securities to maintain their *capacities* for asset management” (Lysandrou 2016, 464; own emphasis).

Despite its independent and fantastic nature, fictitious capital has profound real effects. After all, such securities represent “claims upon production” (Marx 2012, 524). As such, they are also claims on future labour power. To a significant extent, banking capital engages in accumulating money capital by facilitating such “claims upon production” and accumulating the market prices (the illusionary capital value) of these claims. Consequently, financial accumulation contributes to the disciplining and casualisation of labour, for example, by the shareholder-value orientation of joint-stock companies (Boyer 2005; Lazonick and O’Sullivan 2000). It seems, however, that Marx underestimated – or, at least, insufficiently discussed – the role of violence involved in financial accumulation *beyond* production. Concerning escalating household and sovereign debt in the neoliberal era (Lazzarato 2015; Martin 2002),

fictitious capital represents claims on revenue beyond production rather than upon production. It thereby exerts pressure on state apparatuses and households to generate revenue *by any means necessary*. Naturally, these dynamics have implications for the domination and exploitation of labour beyond the production process.

The Exploitative Dynamics of (Micro)Finance

This section discusses the relevance of subordination and exploitation of labour through financial accumulation, shedding light on the labour-finance nexus. In doing so, I draw on recent debates on a concept from Marx that has long been sidelined in critical political economy: the notion of secondary exploitation (Dörre 2012; Lapavitsas 2009; Dos Santos 2009).

Marx refers to “secondary exploitation, [as process] which proceeds *alongside* the original exploitation that takes place directly within the production process itself” (Marx 1981, 745; own emphasis). In discussing the relevance of money lending, advance payments, or rents, he highlights how these processes resemble “capital’s mode of exploitation without its mode of production” (Marx 1981, 732). The qualitative difference between these two types of exploitation has much to do with the social form of value appropriation. Exploitation of wage labour in commodity production, generally considered a key characteristic of the capitalist mode of production, entails a mystified relation: From the exchange perspective, labour power is exchanged as equivalent for a wage. Only by entering the “hidden abode of production” (Marx 1976, 279) does the secret of profit-making become apparent, in which owners of capital systematically appropriate newly generated surplus value from wage labourers in commodity production.

Profits from secondary exploitation are qualitatively different from this, in that there is no exchange of equivalents in the sphere of circulation, and possibly there is no appropriation of newly created surplus value. Rather than profits that emerge from the flow of newly created value, financial expropriation implies a “re-division of money revenue streams, typically taking the form of interest” (Lapavitsas 2014, 143). Landowners, moneylenders or retail merchants who engage in such secondary forms of exploitation “are indifferent as to whether the rent [or interest] they receive is a deduction out of wages of labour, out of excess or even average profit of capital, or out of any other form of revenue” (Harvey 2006, 342). The contractual nature of these economic processes may suggest a relationship of equivalence between, for example, a creditor and a debtor. Yet, these contractual parties do not meet as equals in the marketplace. Quite to the contrary, as will be discussed in Part III and Part IV, access to credit is mediated by unequal relationships of power that run through the social body.

To be sure, financial accumulation is not always synonymous with financial expropriation through interest-bearing loans. The latter becomes primarily relevant regarding household and government debt. In contrast, interest as claims upon surplus value in productive sectors, dividends on shares, fees and commissions for services, and speculative capital gains that result from fluctuations in equity's purchase price and its sale price are further significant channels of financial profit (Durand 2017, 92). However, in recent decades, the transformation of banking and the financialisation of capital accumulation has increased the scope for financial expropriation as a powerful new type of secondary exploitation (McNally 2011a, 122; Dos Santos 2009). In the context of declining real wages and the privatisation of social infrastructure, working-class households have turned into a profitable market segment which is exploited in production and beyond:

“Financial expropriation, then, is a source of profit that has emerged systematically during the recent decades. It should be clearly distinguished from exploitation that occurs in production and remains the cornerstone of contemporary capitalist economies. Financial expropriation is an additional source of profit that originates in the sphere of circulation. In so far as it relates to personal income, it involves existing flows of money and value, rather than new flows of surplus-value. Yet, despite occurring in circulation, it takes place systematically and through economic processes, thus having an exploitative aspect” (Lapavistas 2009, 133)

Such profits from financial expropriation are reminiscent of redistributive aspects of poverty/wealth creation through “archaic forms” of interest-bearing capital that Marx discusses in *Capital III* (Marx 1981, 728ff.). As such, secondary forms of exploitation may be more vicious, intrusive, and violent than exploitation in commodity production because, generally, they may appropriate *all* surplus value from petty producers and landed proprietors (for example, through exorbitant interest rates), also *beyond* the needs of labouring populations (Marx 1981, 730).

Despite many convergences, there is an essential distinction between archaic and capitalist forms of interest-bearing capital: While financial accumulation through usurer's capital is usually entangled with personal relations of power and dependency, as observable in the case of local moneylenders in India, the domination of interest-bearing capital suggests a fetishised form in which the abstraction, alienation and objectification of social relations turn into an impersonal power relation seemingly beyond human relationships – as if the power of debt resides in the property of money. This differentiation is crucial in understanding how the power of so-called informal moneylenders and the power of financialised microfinance corporations at present is a continuum which contains similar forms of class exploitation and domination (see also Part IV). Moreover, it is critical to highlight that pre-capitalist and capitalist forms of interest-bearing capital may co-exist and

that the relevance of usurer's capital can by no means be relegated to the past. In *Capital III*, Marx summarises various situations that underline the continuous relevance of usurer's capital *within* the capitalist mode of production, including non-capitalist producers (small peasants and artisans) and "where borrowing results from individual need, as at the pawnshop" (Marx 1981, 735).

The thin line between usury and financial expropriation points to the multiple ways in which financial accumulation is linked to processes of continued forms of so-called primitive accumulation. That is, the enclosures of commons, the privatisation of public goods and the commodification of ever more spheres of life through the spatial extension of (financial) accumulation (Dörre 2009; Durand 2017, 102f.; Harvey 2003). Contrary to the mainstream financial inclusion discourse, such a perspective may explain how individuals and communities become integrated into the money nexus as debtor or creditor, not based on isolated household decision-making (as most liberal theories assume), but because of broader dynamics related to land ownership or access to social provisioning force specific populations into debt-based survival strategies (Arboleda 2015b; Bernards 2021; Berman 2019).

Financial expropriation has important implications for labour. In *Grundrisse*, Marx outlines how financial accumulation, premised on the money form of value, reorganises the exploitation of labour: "Money, then, in so far as it now already in itself exists as capital, is therefore simply a *claim on future (new) labour* [...] As a claim, its material existence as money is irrelevant, and can be replaced by any other title" (Marx 1973, 367; own emphasis). This passage is significant for contemporary analysis in at least two ways. On the one hand, it draws attention to the creative powers of finance to produce a multi-layered system of titles and claims that allow the "colonization of the future" through financial innovation and accumulation. On the other hand, Marx anticipates the implications of the "spatialization of the future" (Lysandrou 2016, 464) through financial accumulation, expanding capital accumulation spatially in the present by creating and colonising future terrains through the accumulation of claims upon future labour capacities, production and revenue.

To realise such claims, the ruling classes must develop ways of exploiting, controlling, and disciplining labouring classes that run parallel to those in commodity production. Financial expropriation explains contemporary processes of secondary exploitation. However, the concept does not account sufficiently for the impact this has on class formation and class struggle, especially in postcolonial contexts. Moreover, it remains confined to the neoliberal era, ignoring the formative role of fictitious capital and financial expropriation for the subordination of colonised populations and their adverse incorporation into the capitalist world market (Banaji 1977, 2013). Expanding the explanatory horizon of these two concepts, Part III will reconstruct the continuities and changes in governing access to credit on the Indian subcontinent.

Understanding class formation in India, and arguably for most of the world's population, requires engaging with different and changing degrees of proletarianisation, combining agrarian subsistence, petty commodity production and precarious wage labour (Bernstein 2010, 54f.; Breman 2010; Lerche and Shah 2018; van der Linden 2014). In other words, a hybrid diversity of forms of labour constitutes the livelihoods of a significant share of the global working class. Henry Bernstein has aptly described the complexity this reality poses for critical social theory:

“The working poor of the South have to pursue their reproduction through insecure, oppressive and typically increasingly scarce wage employment and/or a range of likewise precarious small-scale and ‘informal economy’ survival activity, including marginal farming. In effect, livelihoods are pursued through complex combinations of wage employment and self-employment. The social locations make for ever more fluid boundaries and defy inherited assumptions of fixed and uniform notions of ‘worker’, ‘farmer’, ‘petty trader’, ‘urban’, ‘rural’, ‘employed’, and ‘self-employed.’” (Bernstein 2010, 111)

This is particularly relevant for analysing precarious migrant labourers in South Asian metropolises. Moreover, the concept counters the idealised image of the unbanked (see Part I), highlighting how multiple fractures run through the social body, the working class, and individual lives. Following Marcel van der Linden (2014), we can understand this diverse population as a “subaltern working class”.²³ The term seeks to highlight three critical aspects for studying migrant labourers in India: First, it highlights the multiple modes of labour which converge in a household economy. Second, it emphasises the historical continuum between free and forced labour within the capitalist world economy, which continues to shape many labour processes in India (see also Banaji 2020; Breman, Guérin, and Prakash 2009; Linebaugh and Rediker 2000). And third, it acknowledges that individual workers often combine different modes of labour in everyday life, producing ambiguous class positions and multiple fractures that mark their lives. Significantly, the prefix subaltern complicates the notion of class structure through, for example, gendered and racialised oppression while simultaneously maintaining that, despite these real

23 There are many alternative conceptions which partly overlap with this understanding, including “informal proletariat” (Davis 2006, 178), “classes of labour” (Bernstein 2010, 110), and “surplus labour” (Bernards and Soederberg 2021; Sanyal 2007). However, for the study of migrant labourers in India, the notion of subaltern working class seems most precise to me. In contrast to Breman’s rather descriptive understanding of “footloose labour” or “labour circulation” (Breman 2010, 2019) is extremely valuable, but conceptually detached from broader class analysis in political economy.

and important fragmentations, they are all part of a class that is free of sufficient means of subsistence and must thus sell its labour power directly or indirectly.²⁴

The concepts of fictitious capital and financial expropriation are critical to understanding subaltern working-class indebtedness in India. Fictitious capital is vital in the dual sense played above, i.e. money used as money, not capital, hence “illusory capital” (Marx 2012, 523), and the financialisation of the microfinance sector, including the securitisation of loan portfolios (Kar 2018; Mader 2015; Soederberg 2012). The lending of such fictitious capital involves the appropriation of disposable incomes of respective households through financial expropriation. As such, the financialisation of the global economy since the 1970s has been a powerful mechanism in the “unmaking of the established working class” (Silver 2014, 49), eroding living standards and the positioning of respective households within the given relations of production. To foreground these dynamics means moving beyond the study of the actual labour process, arguing that parallel processes of exploitation and domination through financial means may be critical for understanding the complexity of class formation.

Stressing the relevance of class rule by financial means expands rather than supplants the complexity of class analysis. It highlights new contradictions and instabilities that are helpful to understand class struggle in a broader sense. On the one hand, class struggles around land ownership, public infrastructure, and decent work directly impact the need for money (as credit). On the other hand, there is a thin line between chronic indebtedness that still allows for the generation of continuous revenues and that which entails complete destitution. This balancing act can be politicised and turned into a powerful lever for collective action. For instance, in the context of increasing household debt in the US, Andrew Ross has argued that debts have turned into the “wages of the future” (Ross 2013, 28) and that in challenging precarity in the neoliberal era, struggles over debt become the frontline conflict of our time. These observations can also apply to other contexts beyond the US and neoliberal contexts. In other words, analysing class rule through financial means can uncover how debt struggles are important sites of class struggles in modern capitalist formations. Contributing to this hitherto unheeded debate in critical political economy, Part III and Part IV will engage with these questions empirically.

24 The term ‘subaltern’ has been used by Antonio Gramsci in the prison notebooks to make sense of the specific class domination and subordination in the Italian context. It was popularised by the South Asian Subaltern Studies Group and Postcolonial Studies more broadly since the 1980s, which expanded its meaning to refer to all types of marginalised and oppressed social groups. A detailed discussion around the controversies of the term can be found in Green (2011). For this research, I use “subaltern class” and “subaltern working-class” mostly interchangeably, referring to the categorisation provided by van der Linden (2014) for the present, while acknowledging that the constitution of the subaltern (working) class has changed over the course of history.

Finally, the coalescence of usury and fictitious capital in the present era is a powerful analytical entry point to understanding the multiplicity of debts and their entanglement with class rule within a fragmented whole. Most critical studies on financial inclusion have studied the rise of (commercial) microfinance on its own, rarely examining the systemic relationships with existing forms of money lending. The perspective outlined above suggests that local moneylenders' operations are based on personal dependency and the accumulation of power and wealth of individual capitalists, including landlords and employers. In contrast, corporate MFIs are characterised by the rule through alienated debts which are governed by the (global) dynamics of financial markets, including the volatility associated with it. In these cases, labour is subordinated more subtly and indirectly through the objectified, mystified, and alienated power of monetary debts. Both are capitalists and yet moneylenders and corporate MFIs have different positions and interests within the circuits of financial capital. Against this backdrop, formal and informal debt, productive and reproductive use of money, and monetary and non-monetary debts overlap, reinforce and blend into one and the same household economy, producing distinct and yet converging modes of domination and exploitation (Bernards 2021, 90f.). To engage more thoroughly with these divisions in the household economy, the following part discusses the relevance of social reproduction feminism in expanding the study of subaltern indebtedness.

