Chapter 33: The Means of Circulation under the Credit System

Very little happens in this chapter, which is composed almost entirely of quotations from parliamentary committee proceedings.

* * *

Marx repeats that the development of credit affects an economy in terms of the quantity of money in circulation (i.e. acting as means of purchase); the quantity of money in circulation in turn being a function of its quantity on the one hand and its velocity of movement on the other. 'The speed with which [...] a note circulates [...] is mediated by the speed with which it returns time after time to someone or other [...].'[1] Credit effects an increase in the velocity of money.

> [I]f A [...] buys from B, B from C, C from D, D from E, and E from F, [...] its [i.e. the sum of money in question] transition from one hand to the other is mediated simply by actual purchases and sales. But if B deposits the money received in payment from A with his banker, who passes it to C in discounting a bill of exchange, C buying from D, D depositing it with his banker and the latter lending it to E, who buys from F, then even its velocity as a mere means of circulation (means of purchase) is mediated by several credit operations: B's depositing with his banker and the latter's discounting for C, D's depositing with his banker and the latter's discounting for E; four credit operations in all. Without these credit operations, the same piece of money would not have performed five purchases successively in a given period of time. The fact that it changed hands without the mediation of actual purchase and sale – as a deposit and by discounting – means that its change of hands in the series of real transactions is accelerated.[2]

* * *

Marx reiterates that '[t]he amount of notes in circulation is governed by the needs of commerce, and each superfluous note immediately finds its way back to its issuer.'[3] (Hence the physical quantity of money in circulation will vary in function of the business cycle, and will be sensitive to other economic events, harvests, for example.)

* * *

Marx notes the manipulation of the quantity of circulating medium on the part of the billbrokers. The quantity of money in existence in the form of banknotes tends to be constant; yet the proportion of this actually in circulation and that in the form of bank deposits varies considerably. The manipulation in the quantity of money actually circulating is effected by dumping government bonds on the market, producing a fall in the amount of banknotes in circulation, pushing up interest rates.

In this, Marx again identifiers a *class* interest surrounding the financial capitalists; and again identifies the nineteenth-century Bank Acts as a product of this interest.

> The credit system, which has its focal point in the allegedly national banks and the big money-lenders and usurers that surround them, is one enormous centralisation and gives this class of parasites a fabulous power

---

[1] Karl Marx, *Capital* volume 3 (Harmondsworth, 1981) [hereafter C3], p. 653.

[2] C3, pp. 654-5.

[3] C3, p. 657.

not only to decimate the industrial capitalists periodically but also to interfere in actual production in the most dangerous manner – and this crew know nothing of production and have nothing at all to do with it. The Acts of 1844 and 1845 are proof of the growing power of these bandits, added to whom are the financiers and stockjobbers.[4]

[4] C3, pp. 678-9.