

## Chapter 36: Pre-Capitalist Social Relations

### I The pre-capitalist origins of usurer's capital<sup>1</sup>

Both interest-bearing capital (i.e. usurer's capital) and merchant's capital long predate the capitalist mode of production.

Usurer's capital requires nothing more for its existence than that at least a portion of the products is transformed into commodities and that money in its various functions develops concurrently with trade in commodities.

The development of usurer's capital is bound up with that of merchant's capital, and particularly with that of money-dealing capital. In ancient Rome, from the latter phases of the Republic onwards, although manufacture stood at a much lower level than the average for the ancient world, merchant's capital, money-dealing capital and usurer's capital – in the ancient form – were developed to their highest point.<sup>2</sup>

The appearance of money necessarily leads to hoard formation; the hoarder becomes important as a money-lender. (The merchant, in turn, borrows money to make a profit with it, i.e. to use it as capital, and stands in the same relationship to the money-lender as does the producing capitalist.)

Pre-capitalist usurer's capital has existed historically in two forms. First, in that of lending money to elites (essentially landed proprietors); second, in that of lending money to small producers – artisans, and, especially, peasants.<sup>3</sup> Through these two operations ('the ruining of rich landed proprietors [...] and the impoverishment of the small producers'<sup>4</sup>), large money capitals are formed.

### II Usurer's capital: simultaneously conservative and revolutionary

What effect does this ruinous effect of usurer's capital have on the prevailing mode of production?

Under conditions of developed capitalist production, both the conditions of production and the product of labour confront the worker as capital; in her capacity as producer, she does not, therefore, have to borrow money.<sup>5</sup>

Under pre-capitalist production relations, on the other hand, the producer does have to borrow, and usurer's capital is ruinous. Under these conditions, the producer is the proprietor of her own conditions of labour and product; the producer (as well as the landed proprietor) thus confronts the money-lender, who assumes the form of usurer's capital: thus 'the [pre-capitalist] usury that impoverishes the poor petty producer goes hand in hand with the usury that ruins the rich landed proprietor. As soon as the usury of the Roman patricians had completely ruined the Roman plebeians, the small farmers, this form of exploitation came to an end, and the petty-bourgeois economy was replaced by a pure slave economy.'<sup>6</sup>

But the industrial – capitalist – direct producer is immune from the absolute impoverishment that the pre-capitalist usurer ('not content with extracting his victim's surplus labour, gradually obtain[ing] as well] the ownership title to his conditions of labour themselves'<sup>7</sup>) is capable of inflicting on the pre-capitalist direct producer. Under developed conditions of capitalist production, 'the wage-labourer produces and yields to the capitalist who employs him profit, interest and ground-rent, in short the entire surplus-value[:] [...] [t]he wage-

---

<sup>1</sup> Where I insert my own subheads they appear, as here, in sans serif type.

<sup>2</sup> Karl Marx, *Capital* volume 3 (Harmondsworth, 1981) [hereafter C3], p 728.

<sup>3</sup> '[W]herever pre-capitalist conditions permit small autonomous individual producers, the peasant class must form their great majority.' C3, p. 729.

<sup>4</sup> C3, p. 729.

<sup>5</sup> Although '[w]hen [s]he does borrow, this is for personal necessity, as at the pawnshop.' C3, p. 729.

<sup>6</sup> C3, p. 730.

<sup>7</sup> C3, p. 730.

slave is just as much excluded by his position as the slave proper from being a debt slave, at least in his capacity as producer [...].<sup>8</sup>

Hence, pre-capitalist usury, which directly appropriates the surplus labour of the direct producer, does so without altering the mode of production, while at the same time it

impoverishes the mode of production, cripples the productive forces instead of developing them, and simultaneously perpetuates these lamentable conditions in which the social productivity of labour is not developed even at the cost of the worker himself, as it is in capitalist production. *Usury thus works on the one hand to undermine and destroy ancient and feudal wealth, and ancient and feudal property [...] [as well as] undermin[ing] and ruin[ing] small peasant and petty-bourgeois production*, in short all forms in which the producer still appears as the owner of his means of production.<sup>9</sup>

Under conditions of capitalist production, on the other hand, ‘usury can no longer divorce the conditions of production from the producer, since they are already divorced.’<sup>10</sup>

Where the means of production are fragmented, usury centralises monetary wealth. It does not change the mode of production, but clings on to it like a parasite and impoverishes it. It sucks it dry, emasculates it and forces reproduction to proceed under ever more pitiable conditions. Hence the popular hatred of usury [...].<sup>11</sup>

Insofar as it is ruinous of pre-capitalist social formations, usury is ‘revolutionary’, but it is revolutionary only insofar as ‘it destroys and dissolves the forms of ownership which provide a firm basis for the articulation of political life and whose constant reproduction in the same form is a necessity for that life.’<sup>12</sup>

Thus, and however, ‘[i]t is only where and when the other conditions for the capitalist mode of production are present that usury appears as one of the means of formation of this new mode of production, by ruining the feudal lords and petty production on the one hand, and by centralising the conditions of labour on the other.’<sup>13</sup>

### III The historical significance of usurer’s capital

The historical significance of pre-capitalist usury lies in the way in which it leads to hoard formation, in so doing transforming wealth into capital. ‘Usurer’s capital and mercantile wealth bring about the formation of a monetary wealth independent of landed property.’<sup>14</sup> Counterintuitively, this is all the more pronounced the less developed is commodity production, insofar as ‘[t]he less developed is the character of the product as a commodity, the less exchange-value has taken command of production in its whole breadth and depth, the more does money appear as wealth as such, wealth proper, wealth in general, as against its restricted form of appearance in use-values. Hoard formation depends on this.’<sup>15</sup>

The demand on the usurer is for money as means of payment.

[...] [I]t is particularly [...] [money’s] function as means of payment that develops interest and with it money capital. What wealth for extravagance and corruption wants is money as money, money as a means to buy everything. [...] What the petty producer needs money for above all is for payment. (The transformation of

---

<sup>8</sup> C3, p. 730. ‘[I]f he can become so [i.e. a debt slave] at all, it is in his capacity as consumer.’

<sup>9</sup> C3, p. 730. (italicisation added). Cf. the petty-bourgeois social base of twentieth-century anti-semitism, in which the figure of the Jew stood as a cipher of the usurer.

<sup>10</sup> C3, p. 731.

<sup>11</sup> C3, p. 731.

<sup>12</sup> C3, p. 732. ‘In Asiatic forms, usury can persist for a long while without leading to anything more than economic decay and political corruption.’ For a discussion of what means by ‘Asiatic’, see Perry Anderson, *The Lineages of the Absolutist State* (Verso, 1974), pp. 462-549.

<sup>13</sup> C3, p. 732.

<sup>14</sup> C3, pp. 732-3.

<sup>15</sup> C3, p. 733.

services in kind and deliveries to landlords and the state into money rents and money taxes plays a major role here.) In both cases money is needed as money.<sup>16</sup>

Hence,

[w]hat is sought from the hoard owner is not capital but rather money as money; but through interest he transforms this money hoard, as it is in itself, into capital – into a means by which he takes partial or complete command of surplus labour, and in this way of a portion of the conditions of production themselves, even if these nominally still confront him as someone else's property.<sup>17</sup>

#### IV Usurer's capital and the rise of the modern credit system

It is against usury that the modern credit system develops as a reaction: but what this represents is

the subordination of interest-bearing capital to the conditions and requirements of the capitalist mode of production. In the modern credit system, interest-bearing capital becomes adapted on the whole to the conditions of capitalist production.<sup>18</sup>

Later,<sup>19</sup> Marx will quote Gilbart to this effect.

In our times, it is the rate of profit which regulates the rate of interest. In those times, it was the rate of interest which regulated the rate of profit. If the money-lender charged a high rate of interest to the merchant, the merchant must have charged a higher rate of profit on his goods. Hence, a large sum of money would be taken from the pockets of the purchasers to be put into the pockets of the money-lenders.<sup>20</sup>

Marx now enters into an account – half history and half polemic – of the emergence of modern private banking and the modern credit system; we need not occupy ourselves with the detail of this, but the salient points that emerge are these.

The emergence of the modern financial system was predicated on a '[...] violent struggle against usury, the demand for the subjection of interest-bearing capital to industrial capital [...].'<sup>21</sup> In the course of this, usury's 'monopoly [...], based on poverty, was thrown overboard [...]'. The reference is the seventeenth and eighteenth-century Dutch financial houses:

[...] in Holland, commercial credit and dealing in money [...] develop[ed] along with trade and manufacture, and by the course of development itself, interest-bearing capital became subordinate to industrial and commercial capital. This was already evident from the low level of its interest rate.<sup>22</sup>

In fact,

[r]ight through the eighteenth century we hear the cry for a compulsory reduction in the interest rate, with reference being made to Holland, and legislation proceeds in the same direction; the aim being to subordinate interest-bearing capital to commercial and industrial capital, instead of *vice versa*.<sup>23</sup>

---

<sup>16</sup> C3, p. 733.

<sup>17</sup> C3, p. 733. In other words, 'Usurer's capital has capital's mode of exploitation without its mode of production.'

<sup>18</sup> C3, p. 735. But '[u]sury proper not only continues to exist, but in countries of developed capitalist production it is freed from the barriers that former legislation had always placed to it. Interest-bearing capital retains the form of usurer's capital *vis-à-vis* persons and classes, or in conditions where borrowing in the sense appropriate to the capitalist mode of production does not and cannot occur; where borrowing results from individual need, as at the pawnshop; where borrowing is for extravagant consumption; or where the producer is a non-capitalist producer, a small peasant, artisan, etc., i.e. is still the possessor of his own conditions of production as a direct producer; finally where the capitalist producer himself operates on so small a scale that his situation approaches that of those producers who work for themselves.'

<sup>19</sup> C3, p. 746.

<sup>20</sup> The quotation is from William Gilbart's *History and Principles of Banking*, published in 1834.

<sup>21</sup> C3, p. 738.

<sup>22</sup> C3, p. 737.

<sup>23</sup> C3, pp. 737-8.

Hence, while the modern financial system was built *against* usury, it was not predicated on its denial, nor that of the principle of lending at interest. 'Instead of anathema against interest-bearing capital in general, the founders of the modern credit system proceed from its express recognition.' It is not usury *per se* that is the problem, but its *monopoly*. The creation of the first modern banks form

the prelude to the organic creations that [...] [the] conditions of capitalist production produce in the form of the modern banking system, which on the one hand robs usurer's capital of its monopoly, since it concentrates all dormant money reserves together and places them on the money market, while on the other hand restricting the monopoly of the precious metals themselves by creating credit money.<sup>24</sup>

Usury, rather than being eliminated, is relegated to the private sphere of consumption (Marx cites the pawnbroker and her rates of interest, exorbitant compared to those of the modern credit system).<sup>25</sup>

## V The dialectical nature of the modern credit system: credit and money

In its fully developed form, the banking system ('by its organization and centralisation, [...] the most artificial and elaborate product brought into existence by the capitalist mode of production'<sup>26</sup>) 'presupposes the monopoly possession of the social means of production [...] on the part of private individuals[...]',<sup>27</sup> and as such is both a result of the immanently social character of capital and the mechanism through which this social character finds its expression.

We have seen that the average profit of the individual capitalist, or of any particular capital, is determined not by the surplus labour that this capital appropriates first-hand, but rather by the total surplus labour that the total capital appropriates, from which each particular capital simply draws its dividends as a proportional part of the total capital. This social character of capital is mediated and completely realised only by the full development of the credit and banking system.<sup>28</sup>

There is an obvious dialectic at work here, which expresses itself in three different forms.

First, the credit system 'abolishes the private character of capital and thus inherently bears within it, though only inherently, the abolition of capital itself.'<sup>29</sup> On the other hand, however, precisely *because*, in this way, 'the

---

<sup>24</sup> C3, p. 738.

<sup>25</sup> Marx here notes the striking similarity between the pronouncements of the ideologues of modern banking and the conceptions of the Saint-Simonean utopian socialists, whose final concrete and logical form would come in that of the disastrous *Credit Mobilier*, set up by the Saint-Simonean P ereire brothers in Second Empire France. Marx observes (p. 741) that such a project 'could come to such prominence only in a country like France, where neither the credit system nor large-scale industry was developed to the modern level. In England and America this kind of thing would have been impossible.' The 'illusions about the miraculous power of the credit and banking system, in the socialist [Saint-Simonean] sense,' Marx continues (p. 743), 'arise from complete ignorance about the capitalist mode of production and about the credit system as one of its forms. As soon as the means of production cease to be transformed into capital (which also means the abolition of private property in land), credit as such no longer has any meaning [...]. As long as the capitalist mode of production persists, however, interest-bearing capital persists as one of its forms, and in fact forms the basis of its credit system. Only that same sensationalist writer who wanted commodity production to continue while money was abolished (Proudhon) could dream up the enormity of a *credit gratuit* [...], the ostensible realisation of the pious wish arising from the petty-bourgeois standpoint.'

<sup>26</sup> C3, p. 742.

<sup>27</sup> C3, p. 742.

<sup>28</sup> A claim we first met in chapter 27, in which Marx claimed that development of the credit system was necessary 'to bring about the equalisation of the profit rate or the movement of this equalisation, on which the whole of capitalist production depends.' (C3, p. 566)

<sup>29</sup> Again, a claim we have seen before. This result of capitalist production in its highest development is a necessary point of transition towards the transformation of capital back into the property of the producers, though no longer as the private property of individual producers, but rather as their property as associated producers, as directly social property. It is

distribution of capital is removed from the hands of the private capitalists and usurers and becomes a special business, a social function[,] [b]anking and credit [...] thereby also become the most powerful means for driving capitalist production beyond its own barriers and one of the most effective vehicles for crises and swindling.<sup>30</sup>

Second. Interest-bearing capital (along with merchant's capital<sup>31</sup>) arise as the *first* ('pre-capitalist') forms of capital. But at the same time, interest-bearing capital, in its manifestation in the developed credit system, appears as capital *par excellence*. 'In interest-bearing capital [...] the self-reproducing character of capital, self-valorising value, the production of surplus-value, appears as a purely occult quality.'<sup>32</sup>

Third. Marx has drawn our attention a number of times in this part of the book to the phenomenon of 'fictitious capital' – claims on future income, which themselves become tradable and multiply themselves, to the point at which 'everything in this credit system appears in duplicate and triplicate, and is transformed into a mere phantom of the mind'.<sup>33</sup> Yet at the same time '[i]t must never be forgotten [...] that money in the form of precious metal remains the foundation from which the credit system can *never* break free, by the very nature of the case.'<sup>34</sup> Marx has already explained how this operates.

Credit being [...] a social form of wealth, displaces money and usurps its position. It is confidence in the social character of production that makes the money form of products appear as something merely evanescent and ideal, as a mere notion. But as soon as credit is shaken, and this is a regular and necessary phase in the cycle of modern industry, all real wealth is supposed to be actually and suddenly transformed into money, into gold and silver – a crazy demand, but one that necessarily grows out of the system itself. And the gold and silver that is supposed to satisfy these immense claims amounts in all to a few millions in the vaults of the bank. [...] A drain of gold, therefore, shows strikingly by its effects that production is not really subjected to social control, as social production, and that the social form of wealth exists alongside wealth itself as a *thing*.<sup>35</sup>

Once the chain of claims that form the mass of fictitious capital begins to break down, and it does so when it becomes no longer possible to realise the surplus labour embodied in commodity capital, then paper claims no longer serve in place of hard cash. The demand for money, metal money, as means of payment, outstrips its supply. Hence monetary crisis.<sup>36</sup>

---

furthermore a point of transition towards the transformation of all functions formerly bound up with capital ownership in the reproduction process into simple functions of the associated producers, into social functions.' C3, p. 568.

<sup>30</sup> C3, p. 742. And, at the same time, '[t]he banking system further shows, by substituting various forms of circulating credit for money, that the latter is in actual fact nothing but a special expression of the social character of labour and its products [...].'

<sup>31</sup> Although, as Marx observes (p. 744), '[i]n merchant's capital we have a mediating activity, whether this is considered as fraud, labour or whatever.'

<sup>32</sup> C3, p. 744. 'Hence it also happens that even a section of political economists, particularly in countries where industrial capital is not yet fully developed, as in France, cling to interest-bearing capital as the basic form and see ground-rent, for example, simply as another form of this, in so far as here too it is the form of a loan that prevails. In this way [...] it is [...] overlooked that [...] [i]nstead of money, means of production can of course be loaned in kind, in the shape of machines, business premises, etc. But [even if] [...] these represent a certain sum of money [and interest is paid], [...] this arises from the use-value, the specific natural form, of these capital elements. *The distinguishing thing here [...] is whether they are loaned to the immediate producers, which presupposes the nonexistence of the capitalist mode of production, [...] or whether they are loaned to industrial capitalists, which presupposes precisely that the basis is the capitalist mode of production.*' (italicisation added)

<sup>33</sup> C3, p. 603.

<sup>34</sup> C3, p. 741.

<sup>35</sup> C3, pp. 707-8.

<sup>36</sup> That 'money in the form of precious metal remains the foundation from which the credit system can *never* break free' would be a view increasingly challenged in the fiat-currency world we live in today; it is a view, however, trenchantly defended by Sam Williams, who is behind the 'Critique of Crisis Theory' blog (<https://critiqueofcrisistheory.wordpress.com/>).

Usury is essentially parasitic: it ‘exploits a given mode of production but does not create it [...]. [It] [...] seeks directly to maintain this mode of production, so as constantly to exploit it anew; it is conservative, and simply makes the mode of production more wretched.’<sup>37</sup> Usury thrives on the underdevelopment of commodity production. ‘The less the elements of production enter as commodities into the production process and emerge from it as commodities, the more does their establishment at a given place by means of money appear as a special act. The less important the role circulation plays in social reproduction, the more usury flourishes.’<sup>38</sup>

But – and, again, there is an example of the dialectic here at play – usury, precisely because of this, acts as ‘a powerful lever in forming the preconditions for industrial capital.’<sup>39</sup> First, ‘it forms an autonomous monetary wealth alongside the class of merchants, while secondly it appropriates the conditions of labour, by ruining the owners of the old conditions of labour.’ Thus it is its very conservatism that gives usurer’s capital its effective revolutionary character.

---

<sup>37</sup> C3, p. 745.

<sup>38</sup> C3, p. 745.

<sup>39</sup> C3, p. 745.