CAPITAL AS DIALECTICAL ECONOMIC THEORY

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This article maintains that the intelligibility of Marx's project in *Capital* resides in its apprehension as an economic theory. The ontological predicate for Marx's project as such is the historically unique tendency for capital to reify human economic life. Marx famously captured this tendency with his notion of capital converting concrete interpersonal material relations into abstract impersonal relations among things. It is capitalist reification which provides the epistemological warrant for the dialectical architecture of *Capital* as economic theory par excellence[1]. Moishe Postone (1996: 75) puts it this way: 'Marx ... characterises capital as the self-moving substance which is Subject ... [Its] social relations ... are of a very peculiar sort – they possess the attributes that Hegel accorded to the *Geist*'. Simply put, what the concept of reification captures is the fact that while capital is a socially and historically constituted object, it 'turns the table' if you will on human subjects to objectify them as capital wields human society for the abstract purpose of value augmentation. The dialectic, then, is a special-purpose or content specific method demanding a theoretical object with unique ontological properties for its operation. That is, the theoretical object must be 'self-moving' and 'self-reifying' (Kourkoulakos, 2003: 191-4). In the material world, only one such theoretical object exists – capital.

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1 Recent debate in the theory of knowledge or epistemology zeros in on the point that questions of 'how' we can know something cannot be answered without reference to the 'what' or character of the object of knowledge (which is the domain of ontology). This debate is particularly important for understanding Marx's *Capital*. This is the case because Marx believed capital to be a unique object of study in the social world requiring very specific 'tools' of knowledge to expose its innermost workings. For a book length unwrapping of this issue, see, for example, Albritton (2001).

Marx, unfortunately, passed away before the three volumes of *Capital* were completed. And, while volume one went to the printer in his lifetime, this is something Marx bemoaned. In his own words (Marx, [1865] 2012):

> I cannot bring myself to send anything off until I have the whole thing in front of me. Whatever shortcomings they may have, the advantage of my writings is that they are an artistic whole, and this can only be achieved through my practice of never having things printed until I have them in front of me *in their entirety*. This is impossible with Jacob Grimm's method which is in general better with writings that have no dialectical structure.

As discussed elsewhere (Westra, 2011), the well-known elaborations upon the three volumes of *Capital* as Marx left them focus largely upon clarifying what Marx himself wrote rather than attempting to complete the *project* in its dialectical 'entirety'. To review the literature on such elaborations upon *Capital* would significantly outstrip the bounds of this article. This point applies as well to the mountain of writings on this or that concept of *Capital* the adequate understanding of which cannot be gained through treatment that abstracts from their place in *Capital* taken in its dialectical entirety as Marx puts it.

However, the *only* works I am aware of which attempt to *complete* the three volume project of *Capital* are that of Japanese economists Kozo Uno (available only in Japanese; though an abridged English translation of Uno's magnum opus was published in 1980) and his student, Thomas Sekine (1986; 1997). And recently, John R. Bell (2009) provides a valuable single volume excursus on Sekine's approach to Marx (Sekine's early extended two volume dialectic of capital was published in English by a Japanese press and made available to a limited group of scholars; it is that which Bell synthesises).

The purpose of this article is thus to present to readers an outline of how *Capital* is reconstructed and completed as a dialectical theory from the perspective of Uno and Sekine; though with emphasis placed upon those areas of *Capital* I view as most desperately in need of elaboration. Completing the economic theory of capital to capture the inner working of the capitalist commodity economy demands that at points where the dialectic steers us in directions which diverge from the letter of what Marx left in his unfinished project, we should 'listen to capital' and follow its self-reifying dialectical logic. To maintain the focus of the paper on outlining the dialectical recasting of *Capital*, critique of the vast literature debating this or that allegedly contentious concept is elided. Readers interested in that or discussion of how *Capital* reconstructed as dialectical economic theory relates to other research domains of Marxism and Marxist debate over the current conjuncture will be well served to access Westra (2011).

The Commodity and Dialectical Closure in *Capital*

Marx commences *Capital* with the commodity as the most elemental indicator of capitalism. But *Capital* is *not* a genetic theory of capitalism: the 'commodity' Marx is theorizing is that which exists in a *capitalist* economy. It is within the commodity that the contradiction between *value* and *use value*, the fundamental contradiction of capital, as well as driving material force of capitalist reification and the dialectic, first appears. Use value, as the material foundation of human existence, is the qualitative, trans historical side of the contradiction. Value, is the historically specific, quantitative side. The economic theory of capital unravels each and every category of capital to demonstrate how it is possible for value to subsume use value life; for capital to reproduce a human society for the abstract, quantitative purpose of value augmentation. And the dialectical circle closes where it begins, with the commodity.

Capital as dialectical economic theory is divided into three 'doctrines' in rough conformity with the three volumes of Marx. In the *doctrine of circulation*, which commences with the commodity, the logic of the phenomenal *forms* of capitalist exchange relations – the generating of the commodity form, the money form and the capital form – is unravelled. One of the pivotal divergences of dialectical economic theory from *Capital* is the omission of the *labour theory of value* in discussion of circulation or value *forms* of capital. In introducing the labour theory of value at that early point in *Capital*, Marx vitiates his own methodological procedure which requires the immanence and logical interrelation of all the categories of capital be demonstrated. In the doctrine of circulation, the formative elaboration upon the social commensurability of commodities or their 'moneyness' necessitates *only* an initial demonstration of the possible *expression* of value in the use value of another commodity, and then the eventual *measuring* of the value of a commodity in terms of money with the establishment of a 'normal price' for it. That is, the 'exchange' of commodities C – C` in a capitalist market is never direct but occurs as C – M (denoting commodity and money) and M – C`. Of course, the presupposition is always the capitalist commodity economy as a whole, only at this point in the theory the dialectic must necessarily hold implicit both the modalities and conditions through which such a normal price is actually arrived at in the market and the specific *determination* or *substance* of the value of a commodity[2].

It is only after specifying the *general formula* for capital, M – C – M`, which characterises the *arbitrage* operations of merchant capital (money purchases commodities which are then sold for a profit), that in its ascent into the inner sanctum of capital, the dialectic is driven to address the question of the substance of value and the potential of capital for *self*-augmentation. This is the domain of the *doctrine of production* where the dialectical ordering of categories necessitates introduction of the labour theory of value and elaboration upon the fundamental material economic reproducibility of capitalism.

All factors of production – land, labour and capital – contribute to the production of use values. However, the historical distinctiveness of capitalism as an economic order is that use value life, the trans historical foundation of all human existence, is subsumed by the motion of value and wielded by capital for its own self-aggrandisement. The historical possibility of a capitalist economy therefore is predicated upon a factor of production with the inherent dual property of being use value *and* value productive. To be value productive the factor must be both abstract-general (for it is in the form of abstract constituents, money and capital, that wealth in capitalist society is measured) and concrete-useful (for the furnishing of concrete use values to sustain human life, as in all human societies, must necessarily remain the by-product of augmenting value). Of all the factors, it is only productive labour which is simultaneously abstract-human and concrete-useful. The other factors of production – land and capital – are use value specific or concrete-useful alone.

Productive labour, of course, always embodied the dual property of being abstract-human and concrete-useful. In societies antedating capitalism, where wealth was measured in use value terms (landholdings, for

2 For those interested in value-form theory debate see Sekine (2009).

example), and constituted through forms of face-to-face interpersonal relations, and where productive work was valued for its use value specific attributes (blacksmithing, spinning, for example), it was the concrete-useful property of labour which was largely drawn upon in the reproduction of material life. It is *only* in capitalist society, a society where accumulation of abstract wealth is the fundamental social goal, where the emphasis is paradigmatically placed upon the abstract-human attribute of labour. That is, to produce value, capital must render productive labour *indifferent* to the production of particular use values. Rather, capital requires labour power available to apply to the production of *any* use value in response to the changing patterns of social demand and opportunities for profit making. The historical prerequisite for this is the divesting of labour of means of production including land to 'free' labour, converting it into a commodity available in the market for capital to deploy for its abstract purpose. In this sense, the condition of possibility or sine qua non of capitalism as an historical society is the commodification of *labour power*. Restating this in the language of the dialectic, capital manages to solve the contradiction between value and use value by surmounting the impediments to value augmentation faced by merchant capital through its internalization of material reproductions' very wellspring.

With the demonstration in the doctrine of circulation that the existence of the product of labour as a commodity necessarily generates money as the general form of wealth, with the potential then to be amassed as self-valorising capital; and the opening of the doctrine of production which establishes that to secure a ground for its self-expansion capital requires productive labour to be available in the market as a commodity then, and only then, is the dialectic of capital prompted to introduce the labour theory of value. Proving the validity of the labour theory of value confirms that capitalism, a society where the product of labour assumes the form of a commodity, is materially reproducible as an historical mode of organizing human economic affairs.

The fact is, however, all human societies in history require at their core some key principal or set of these which ensures their material reproducibility, and that what Uno (1980) refers to as the 'general norms of economic life' are met. Paramount is the norm that requires the direct producers to receive at minimum the product of what Marx dubbed their *necessary labour*. Necessary labour quite simply is the work direct producers must perform to reproduce their livelihood. This, as Marx made clear with the well-known example from *Capital* of Robinson Crusoe on his island, may even entail working to stock up on things for a rainy day. What Marx refers to as *surplus labour* is performed by direct producers *only* in class societies. In capitalist society the price the capitalist pays to deploy commodified labour power, or the *wage* the free labourer is remunerated with must, at minimum, be equivalent to the cost of those commodities in the market necessary for the survival of the worker (which includes also the reproduction of workers as a class). Put differently, the prices of all commodities, including labour power and the necessities of human sustenance are set in the capitalist market. Wages, or the value of labour power, must be equal to the product of the workers necessary labour, both measured in money terms.

Thus, to offer a microcosmic illustration of capitalist production, let us picture a capitalist textile business which invests $100 in machinery or means of production, $50 in raw materials and $50 in wages for commodified labour power. If in 4 hours of working for the capitalist our labourer can produce commodities equal in value to the $50 in wages which is the money measure of the labourers necessary labour then, supposing means of production are depreciated and raw materials exhausted in a day, factoring in the $150 of value these transfer to the product and the $50 worth of value added by the labourer as equivalent to his/her necessary labour, we end up with the $200 with which we began. In other words, following our assumption – labour power purchased in the market for its abstract quality of being amenable to indifferent application in producing any use value in demand, then set into motion by capital to produce one such good – *value* has been created but not *surplus value* or profit. For surplus value to be created, and the augmenting of value characteristic of the capitalist economy to be realised, workers must toil for more time than is simply required to produce the equivalent of their necessary labour; which is precisely what occurs in capitalist society where the capitalist owners of the social means of production set the time of the *working day*. So, in fact, with an 8 hour working day, where in 4 hours the worker produces $50 of value equivalent to his/her necessary labour, in 4 further hours of surplus labour, the worker produces $50 of surplus value or profit for the capitalist as $250 dollars ultimately emerges, like magic, from the capitalist production process.

Another paramount norm of human material economic existence is that all societies require that social demand for basic goods be satisfied with a minimal waste of social resources. That is, if the purposive human activity of labour, the only 'real cost' of production to society, is expended to an increasing degree on the production of iron when it is expressly rice which is in social demand, we can say that social resources are misallocated and to the extent this misallocation chronically persists the society would perish. In pre-capitalist societies the allocation of social resources was mediated through subjective or face-to-face interpersonal material reproductive relationships. In capitalist society the allocation of social resources including the expenditure of available labour power is determined objectively through the logical operation of the capitalist market such that goods are produced in socially necessary quantities by what Marx terms *socially necessary labour*. That is, investment decisions on the part of capital are based on objective, quantitative criteria: rational capitalists must assess market conditions to ensure first, that commodities, the production of which they are interested in investing in, are in demand, and second, capitalists must gauge the competitive business environment to ensure that the technologies and work processes they adopt are the most advanced. Failure on the part of the capitalist to make the correct assessments in the above regard means that though labour will have been expended, means of production utilised, and goods produced, to the extent these goods *do not* embody socially necessary labour neither value nor surplus value will have been produced and from the perspective of capitalist society as a whole the resources devoted to that component of the labour and production process will have been wasted.

Put differently, the fundamental metabolic interchange between human beings and nature upon which the very existence of human society is predicated is *mediated* by the abstract value augmentation process of capital under the governance of what Marx dubbed the *law of value*. The direct producers in capitalist society, 'freed' from their historic connection to land and the means of labour to sell their labour power on the market as a commodity, *only* gain access to the product of their necessary labour through the wages they are paid by capital with the purchase of their labour power by capital in its value augmentation process. Capital is able to engage in its chrematistic operation of producing value and reaping surplus value or profit *only* if it meets the test of material economic reproducibility of any human society which requires that social demand for basic goods be met in a way that does not chronically misallocate resources and ensures that the direct producers receive, at minimum, the product of their necessary labour. What the labour theory of value claims, thus, is that the *only* possibility for such an allocation to securely take place simultaneously with capital meeting the competitive and efficiency challenges of the market, is when commodities embody *only* socially necessary labour. And, the ability of capital to produce goods in socially necessary quantities is predicated upon the commodification of labour which renders the worker indifferent to the production of particular goods and available for capital to shift to the production of *any* good according to the changing patterns of social demand and opportunity for profit making. Therefore, the validity of the labour theory of value and the fundamental reproducibility of capitalism imply each other.

It is in the *doctrine of distribution* where the dialectic is consummated and the intricacies and ultimate 'cunning' of capital elucidated. Prices, Marx noted, are determined in the capitalist market as if such things as value and surplus value do not exist. Movements in relative prices follow upon the market forces of supply and demand. But price movements are not haphazard. What equilibrating of supply and demand exhibited in the market reflects is the concrete enforcement of the law of value that ensures the viability of capitalism as an historical society. Long before neoclassical economics Marx pointed to 'incessant equilibrations' of market competition and the markets' reaching a phase of 'average activity' (Marx ([1894] 2012 Vol. III: Chapters 10 and 50). What dialectical economic theory incisively demonstrates is precisely the way in which in the tending of the capitalist market toward equilibrium through market competition and the changing opportunities for profit-making, the heterogeneity of labour processes among production sectors and product groups, the effectuation of prosperity and crisis across business cycles, the law of value mediates the chrematistic modus operandi of capitalist value augmentation while simultaneously guaranteeing the reproducibility of capitalism as an historical society.

To support the case for the above position entails considering the resolution dialectical economic theory offers to what has infamously been dubbed the 'transformation problem': the relationship between value and price in Marx's *Capital*. 'Transformation' is utilised in a twofold sense by Marx: In the first instance it refers to a *qualitative* operation where, with its unravelling of all the categories of capital, the dialectic treats their further concrete specification as in: 'the transformation of the commodity form into the money form', 'the transformation of money into capital', 'the transformation of surplus profit into rent', 'the transformation of value into price', and so forth. But these conceptual operations must *not* be confused with the particular instance of the *quantitative* operation transformation refers to which involves the mathematical transformation of value into price and the *rate* of surplus value into the *rate* of profit and the *inverse* calculation or movement between these categories. That is, given the dialectical architecture of *Capital*, it is not a question of there being two 'systems' of value and surplus value *and* price and profit the separate workings of which are empirically verifiable. Rather, in the doctrine of production, tasked with dialectically elucidating capital accumulation from *inside* the production process, the specific conditions are not as yet posited for the *quantitative* determination of either value or price. In the doctrine of distribution, which explores accumulation from the *outside* in the surface manifestations of capital in the market, the necessary specification of the *technology complex* and the *organic composition of capital* permit the simultaneous quantitative determination of both values and prices. And on the basis of specific information about these factors it is possible to produce the bedevilling inverse calculations or movements between rates of profit and prices *and* surplus value and values (*and* vice versa) as in the plotting of co-ordinates across two differing spaces.

Prices, then, though diverging from values, necessarily remain *tethered* to them as a requisite of the fundamental economic reproducibility of capitalism as an historical society. What dialectical economic theory captures is the fashion in which such tethering is manifested through the *law of market value* under which supply and demand production price fluctuations induce the flow or re-allocation of resources *at the margins* of all capitalist industries; with their differing organic compositions of capital and so forth (Sekine 1997, Vol. II: 33-42; Cf. Marx ([1894] 2012, Vol. III: Chapters 10, 11 and the 'Supplementary Remarks' that constitute Chapter 12, though Marx left this undeveloped). The dialectic, therefore, resolves the contradiction between value and use value as it is expressed in both inter- and intra- sector variability of technique utilised by diverse capitalist enterprises in the production of discrete use values. On the basis of the foregoing it is then possible for the dialectic to take the phenomenon of the tending of the capitalist economy toward an equilibrium in the concrete operation of the market and situate it within the context of the workings of the capitalist business cycle in a way that draws into sharp and, it may be noted, *objective* relief, all the more popular, revolutionary questions of Marxist discourse such as capitalist exploitation (as in the sketch above of surplus labour and surplus value) and the propensity for capitalist crises in the *law of the falling rate of profit*.

To succinctly summarise this knotty problematic of Marxian economics it is advantageous to commence with consideration of the technology complex. Technological innovation in capitalist society generally occurs in clusters. Given the exigencies of capitalist competition, those businesses in each sector which first deploy new technologies will evince a rate of profit higher than the average or what is dubbed a *surplus profit*. This situation never persists for long however as best practice technologies and labour processes are adopted by rational capitalists across all industries. With significant investment in fixed capital consolidated, capitalist accumulation proceeds in what is dually termed the *widening* or *prosperity* phase of the business cycle: Widening, to reflect the fact that accumulation necessarily continues at a given level of technological development over time to allow for the depreciation of the heavy fixed capital outlay; prosperity, to capture the generating by capital of an *average rate of profit*. It is at the peak of this phase of the business cycle that the sub-phase of *average activity* or tendency toward equilibrium is to be found in which 'normal' or equilibrium prices are formed in the capitalist market. The momentous ramifications of this phenomenon have remained unexplored in Marxist theory given the association of the concept equilibrium with the ideological assumptions of bourgeois economics and the belief that references to equilibrium detract from Marxism's revolutionary posture.

First, the tending of the economy toward equilibrium in the prosperity phase of the capitalist business cycle confirms the commodity economic governance of the law of value which ensures that commodities embody only socially necessary labour for their production. To state that commodities are embodiments of socially necessary labour is to recognise a) that the particular commodities produced are the ones in social demand, b) that they have been produced with competitively appropriate technologies, and c) that these commodities are produced in the 'socially necessary' or correct quantities desired by society. What the production of all commodities as embodiments of socially necessary labour effectively amounts to is the fact that in the phase of average activity an equilibrium is approached where social resources are allocated in a fashion that guarantees the material reproductive viability of capitalism as an historical society; something signalled by the meeting of supply and demand in the market and the formation there of equilibrium prices.

This seemingly benign portrait of capitalist society shatters, however, as the dialectic revisits the question of supply and demand equilibration in light of the maintenance of capitalist *social relations of production*. That is, the doctrine of production exposed the commodification of labour power as the *sine qua non* of capitalism given how commodification renders labour indifferent to the production of particular use values and available as other commodities in the market for capital to purchase and deploy in the production of *any* use value as per the changing pattern of demand. Both, the aforementioned ability of capitalism to achieve an equilibrium allocation of resources, guaranteeing its fundamental reproducibility as an historical society, and the satisfaction of its chrematistic of value augmentation through exploitation of workers where the performance of surplus labour is reaped by capital as surplus value, are dependent upon this. But, while the availability of labour power on the market to be purchased for a price places it in a similar position to other commodities, labour power is in fact not *just* another commodity. Given that it is not a capitalistically produced commodity it is impossible to adjust the *supply* of labour power to the demand for it as is the case with other commodities. For this reason the dialectic establishes that which is sketched in an extremely ambiguous manner in unfinished *Capital*, that the law of value must be supplemented with a *law of population* specific to capitalism (Sekine, 1997, Vol. I: 215-29; Vol. II: 51-9).

It is in the phase of average activity in the business cycle, under conditions of widening accumulation at a given level of technology and fixed capital outlay, where not only are equilibrium prices formed, but the value of labour power – upon which the assurance of its commodification and the whole edifice of capital accumulation rest – is set. Remember, to constitute a reproducible economic order capital must satisfy the general norm of economic life which demands that the direct producers receive the product of their necessary labour. In capitalist society, as displayed in the doctrine of circulation, market exchange is conducted in terms of equivalences (with commodities the social commensurability of which we have now established is rooted in their embodiment of socially necessary labour) being traded according to relative normal or equilibrium prices. Therefore the possibility of guaranteeing the direct producers the product of their necessary labour returns us to the question of the allocation of resources in capitalist society where the sum total of money wages paid to workers must be equal to the cost of purchasing in the market those goods necessary and sufficient for the reproduction of their labour power. Put differently, and this is not affected by the divergence of prices from values, the specific allocation or amount of labour socially necessary to produce the wage basket of the worker constitutes the value of labour power. That the edifice of capital accumulation hinges upon this determination is related to the question of the division of the working day into necessary labour time and that time devoted to surplus labour, as in our simple example above, and the rate of surplus value that is derived therefrom. From our assumptions about the technology complex of a given business cycle there are clearly limits below which it is impossible for the rate of surplus value to fall and capital accumulation to continue. And there exists a limit above which the rate of surplus value cannot rise without terminating the reproduction of labour power by debarring workers from the product of their necessary labour. The value of labour power and rate of surplus value which secure the commodification of labour power and the accumulation of capital is that reached on the basis of *full employment* of workers in the phase of average activity as the capitalist market tends toward equilibrium.

The second ramification of the phenomenon of equilibrium in dialectical theory is the fact of its tenuousness as revealed in the treatment of equilibrium in the light of the laws which superintend it in a dynamic context. That is, as accumulation proceeds apace in the widening phase of the business cycle, underpinned by the fixed capital outlay reflected in the technological complex, our rational capitalists have no incentive to invest in expensive new technologies. This is the case as capital accumulation approaches equilibrium in the market at the sub-phase of average activity with the absorption of the surplus population or *industrial reserve army* to fulfil the necessary equilibrium condition of full employment. Yet, because in the real world of capitalism accumulation is incessant, the good times are short lived. The continuing accumulation of capital spurs the onset of a period of *precipitancy* which reveals the existence of a superabundance or *over-accumulation* of capital in relation to the size of the working population. Subsequently rising wages induce a falling rate of profit propelling the economy into crisis as businesses close releasing workers which, with their purchasing power removed from the market, leads to bloated inventories, feverish competition, and more business closings as simultaneously rising interest rates entice capital away from productive to speculative endeavours. In the ensuing climate of *depression*, as that fixed capital not depreciated is increasingly devalued, there emerge those businesses able to seize the opportunity and invest in an innovative new technology complex stamping the period of capitalist crisis as the *deepening* phase of the business cycle.

In this alternation of capitalist business cycles between widening and deepening or prosperity and depression phases the dialectic of capital exposes the causal efficacy of the law of the falling rate of profit. The solution to the contradiction between value and use value in the very maintenance of capitalist *social relations of production* requires capital, in the maelstrom of economic crisis and *general disequilibrium*, to revolutionise the *forces of production*, restructuring its technology complex at a 'higher level' of development or increased *organic composition of capital*. Also unfurled by the dialectic at this juncture is the enforcement of the *law of relative surplus population*. This is the law of population specific to the capitalist mode of production which regulates the surplus population which capital expels and absorbs in its business cycle oscillations.

Finally, it is in the closing of dialectical economic theory where capital reveals its characteristic cunning alluded to above. To genuinely appreciate the fashion in which the dialectic exposes this requires that we visit the category of *ground rent*. Because it is with the divorce of the direct producers from access to the means of production and the subsequent availability of their labour power as a commodity on the market for purchase by capital upon which the self-expansion of capital is predicated the logic of dialectical exposition necessitates the treatment of rent only after the theory of profit. Simply stated, with the land emptied of direct producers, capital must then deal with its owner. Landownership, of course, antedates capitalism. However its existence in pre-capitalist societies is qualitatively different from the form of private or *landed property* marking the commodity economy. In the former, 'ownership' was a reflection of the web of face-to-face interpersonal material relations of production which through sets of customary rights and mutual obligations bound the direct producers – the peasants in the case of feudalism – as securely to the land as their overlords. Modern landed property captures the renting of now depopulated land by landlords to the agricultural capitalist who then deploys commodified labour power in order to produce agricultural goods for sale on the market. The specific forms in which rent appears as a result of the application of the principles of the commodity economy toward land need not concern us here (see Sekine 1997, Vol. II: Chapter 8 developing material Marx [1894] 2012, Vol. III: Part 4 left incomplete). What is important is the fact that the commodity economic category of ground rent implies recognition by capital of *legal title* to the land as private property.

It is in the category of *interest* however, that the dialectic of capital is ultimately consummated. Of immense consequence for apprehending the role this category plays in closing the dialectic is the fact that Marx again vitiates his own methodological procedure of dialectical exposition in *Capital* by dealing with interest *prior* to rent. What the dialectical derivation of categories of capital demands is that the proceeding of thought from the abstract to the concrete (in-thought) is driven by use value contradictions or 'oppositions' to value which are commodity economically immanent. What the commodity economic category of ground rent entails is that in the relationship capital forges with landed property, where it in effect surrenders a portion of surplus value to an entity *external* to it, capital establishes the principle of property ownership as entitlement to an income. Once this principle has been established in that context it is possible for capital to apply it *internally* to itself such that capital presents itself simply as an *asset* to which income, as interest rather than rent, accrues. Therefore the category of interest closes the dialectical circle because through it value potentially surmounts all use value obstacles to assume the form of a commodity – C – with which the dialectic commenced.

Let us track this transubstantiation with the aid of some simple formulas: Our formative apprehension of capitalist society is in terms of the circulation or exchange of commodities. The formula which expresses this is C – C`. We noted, however, that in the capitalist market, exchanges are mediated by money as in C – M and M – C`. Confirming the necessity of money as general equivalent with which any commodity can be purchased, it is then possible to specify the arbitrage operation of merchants within the circulation of commodities as M – C – M` (buying cheap and selling for profit). The doctrine of production displays how, through the subsuming of the labour and production process, capital ultimately secures the ground of its self-expansion. Thus, the circuit or turnover of industrial capital enfolded within the foregoing is delineated as follows:

M – C (LP/MP) … P … C` … M`

Here, labour power (LP) and means of production (MP) purchased on the market are set in motion by capital in its production (P) and value augmentation process. The doctrine of distribution then explores the division of surplus value C` *SV* M` on the market as:

$$\text{M}'\ \begin{array}{l} \nearrow \textit{PR} \text{ (profit)} \\ \longrightarrow \textit{IN} \text{ (interest)} \\ \searrow \textit{GR} \text{ (ground rent)} \end{array}$$

As is the case with merchant arbitrage, so money loaned for gain as an economic practice antedates capitalism. The formula expressing it is M – M`. Within capitalist society however, ‘loan capital’ has determinate commodity economic origins and plays a discrete and important role. That is, implicit in discussion of the business cycle is the fact that a portion of *SV M`* existing alternatively as an investment fund in the circuit M` – M of industrial capital, a depreciation fund for fixed capital, a reserve or contingency fund, is ‘socialised’ by capital in the banking system (Uno,1980: 109-10). The specific commodity economic function of this socialised loan-capital is to enable industrial capital through extension of commercial credit for discounting of bills to decrease its turnover time and accelerate the augmentation of value. Banks, it must be emphasised here, do not lend their own capital. Their role is one of financial intermediation between lenders and borrowers. It is from the role of banks as financial intermediaries that capitalist transubstantiation germinates. The ‘idle’ funds held by banks assume the form of a commodity C that can be traded for a price C – M where the rate of interest *IN* is the price established in the money market for the use of the funds for a given period of time. From the perspective of the economy as a whole the formula expressing the turnover of funds deposited in banks by industrial capital to be subsequently loaned back to it according to prevailing interest rates is akin to that of pre-capitalist money lending M – M` and serves to sublimate the specific activity of industrial capital C….P….C`…M` – M the funds progenitor.

The attempt of capital to efface its origins in the labour and production process reaches its apogee in the category of *commercial capital*. While the specific intervention of loan-capital in the process of value self-augmentation is at the juncture M – C…P, that of commercial capital is at what Marx dubbed the *salto mortale* of capital accumulation C`…M`. That is, commercial capital, which also partakes of the funds socialised as loan capital, a fact determinant of its dialectical derivation only after the category interest, assumes from industrial capital the burden of selling commodities. As the wholesale purchaser of commodities commercial capital contributes to the formation of an average rate of profit and the overall efficiency of value augmentation through the savings of circulation costs it promotes (Sekine 1997, Vol. II: 167 ff.). Commercial capital also expunges all traces of the origins of capital accumulation in the subsumption by capital of the labour and production process assuming as it assumes the form of merchant capital M – C – M`. *Commercial labour* as in the buying and selling of commodities appears as the only 'work' that 'capitalists' perform. The profit accruing to commercial capital appears not as a portion of surplus value *SV* M` *PR* ceded to it by industrial capital but as reward for business acumen or *entrepreneurial profit* as has been the case with merchant activity from time immemorial. With the dividing of commercial profit into interest and entrepreneurial profit, in that our entrepreneurs must pay for the money they borrowed to pursue their buying and selling operations, the idea is crystallised 'of capital *as an automatically interest-bearing force*' such that even industrial capital 'begins to view its own capital as "funds" lent to it by itself' and *its* profits springing from the activity of wily entrepreneurs (Uno, 1980:115-16).

It is from this vantage point of capital as an interest-bearing force that the rise of so-called *fictitious capital* in the form of the joint-stock company is prefigured. That is, as an asset yielding income *GR* to its legal owner, land is bought and sold on the *property market* according to perceptions of its future income potential. Funds, formed in the circuit of industrial capital, which as loan capital entitle institutions legally holding them to a stream of income *IN* are bought and sold on the *money market* as commodities. Capital, through share ownership, similarly becomes a commodity or equity capable of being traded on the *capital market* (stock market) according to its perceived income generating potential where a portion of profit *PR* – which in the transubstantiation of capital into a commodity or 'asset' appears to spring from the entrepreneurial activity of buying and selling – accrues to the owner of that equity in the form of *dividends*. Therefore, as is in Hegel where the dialectic closes with the promise of thought divesting itself of all materiality to become pure and objective, and thereby reveal the *Geist*, so the dialectic of capital is consummated in the category of interest in which capital appears in the form M – M` and the *idea* or 'dream' of capital, in all its cunning, to free value augmentation from the labour and production process through its transubstantiation into a commodity or income yielding asset is unmasked (Sekine,1997, Vol. II: 199-204).

Conclusion

Marx's unparalleled three volumes of *Capital* must be defended as the treasure trove it is, containing most of the elements for building the definitive economic theory of the capitalist commodity economy. But we can hardly expect a fully formed economic theory as such to spring from the brain of one person, even a genius like Marx. Though he left *Capital* incomplete, Marx left us with the dialectical method of *Capital* – the key to exposing what capital and its ideologues seek to efface. That is, capitalism is not *only* an alienating, exploitative, asymmetric wealth distributive economy, but an 'upside-down' society in which human economic life is reproduced as a by-product of value augmentation.

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