

Some conceptual elements for a Marxist analysis of the international monetary system*

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Introduction

The present paper is part of a research project which aims to flesh out Marx's theory of money, maintaining its connection with his theory of capitalism as a whole and permitting the application of the former to the analysis of credit and monetary phenomena of today's economy. We start from the premise that Marx developed his theory of money as an essential and inseparable component of his larger theory of capitalism. This means that his definition of money as a special commodity, which stands out spontaneously from the world of ordinary commodities in the natural process of development of the market economy, cannot be looked at in disjunction from the rest of the theory without resulting in distortion. We can deduce from here that the frequent suggestion that Marx's definition of money as a commodity is not valid and can be weeded from the totality of his theory without affecting its integrity is inconsistent¹.

Another initial premise is that Marx's theory of money constitutes a solid basis for the interpretation of the monetary and credit phenomena of contemporary capitalism. This premise is in effect the general working hypothesis of our research program, which should be tested in its multiple facets. There is no other scientifically justifiable procedure, which means that we must start from the postulates of the theory as formulated, and then proceed to testing it, step by step. The reverse procedure, which starts from the assumption of non-validity due to changes supposedly brought about by the concrete development of capitalism as it has occurred since Marx's elaboration of his theory, would need to have an alternative theoretical structure as its basis, also subject to testing. On the contrary, the critique of his theory of money as a commodity starts inductively from supposed "empirical evidence" that money is no longer a commodity, but has rather been substituted by purely symbolic forms. These assumptions, however, to the best of our knowledge have not yet been integrated into a theory that advances a consistent explanation of the symbolic character of money, in contrast to its nature as a commodity.

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¹ It should be noted that the postulate that in Marx's theory money must be a commodity, as dictated by the very structural logic of the theory – which is what we maintain in the present paper – does not necessarily imply that such a definition is correct. The first affirmation is confirmed through the study of Marx's theory, while the second depends upon confirmation through the observation of facts, as in normal scientific procedure.

Finally, the present article elaborates on one of the aspects of the mentioned research project, which involves Marx's characterization of the international sphere of monetary circulation, in other words, the so-called international monetary system. This part of the present research began as an offshoot of the discussion of the how to define money, as mentioned above, stemming from the need to elaborate a critique of the non-Marxist concept of the gold standard and its uncritical application by Marxist authors who contest the theory of money as a commodity (Germer, 1998). Furthermore, this critique was based exclusively on concepts from Marx's general theory of money, without developing the specific theoretical fundamentals necessary for an analysis of the international circulation sphere as can be derived from his theory. This is necessary in order to go beyond the mere critique of a specific concept, toward the development of a consistent conceptual alternative. This is what we intend to do in the present article, as a first step. Given the scarce knowledge of this aspect of Marx's theory, the interpretation offered in this text will be supported by numerous and sometimes extensive citations from the literature. Although this may break with the fluency of exposition, it is indispensable as a basis for the interpretation presented here.

This article aims to contribute to the task of deducing, from Marx's disperse references to the topic, a conceptual structure consistent with the analysis we intend to carry out. Since Marx did not develop a specific approach to this matter, our task is not an easy one. The results obtained through the following exposition corresponds to but one part of the original objective, mainly because it has not been possible to cover the entire basic conceptual framework that is the object of our attention. We have concentrated primarily on concepts linked to the theory of money, leaving the treatment of the theory of monetary capital incomplete insofar as it concerns the international sphere. This part as well as other lacunae will have to be attended to throughout the continuity of our research.

There is one necessary clarification to be made regarding bibliography. Many of the literal citations of Marx's work are my translations, made directly from the German language editions whenever there was no English translation available. In these cases, however, the original in German were added.

The circulation sphere as a theoretical category.

For a correct apprehension of Marx's theory of money we must recognize the crucial role that the method of abstraction plays in all of his theoretical elaboration. In the case of money, it is abstraction that enables us to isolate the precise phenomenon that has led to its genesis, that is, to exclude accessory elements and maintain only those that are essential or inherent to the phenomenon. The phenomenon, in this case, is the simple exchange of commodities, and the essential elements are the producers that

participate in the structure of the social division of labor, the individual and absolute character of the private property of the means of production and the independence and autonomy of producers in relation to one another. Among the elements that are extraneous to the phenomenon, there is one whose exclusion is usually the most difficult to understand and accept – the capital relationship – and this difficulty has been one of the causes of many errors in the interpretation of Marx's theory of money². With regard to the topic of this paper, the exclusion of a distinction between national spheres of circulation, or between national and international spheres is another element which Marx explicitly identified as indispensable, as will be shown here. Furthermore, the capital relationship and the national/international distinction do not have the same character, given that the former is an economic relationship that is qualitatively different from the value relationship to which it adds on. The national/international distinction, on the other hand, constitutes only a particularization, or a concretizing of the concept of the circulation sphere.

As a theoretical category, the sphere of circulation is an abstract representation that is necessary for the theoretical analysis of capitalism. In this case the method of theoretical analysis consists of abstracting in order to look at the circulation sphere as a homogenous category. However, what exists in reality is a worldwide circulation sphere made up of a certain number of national circulation spheres, or inversely, national spheres from whose interconnection springs the world sphere, taking on the specific form of an international structure³. Thus, to consider the decomposition of the latter into national spheres constitutes a concretizing of the abstract category. To the extent that this is carried out after exhausting abstract analysis, this concretizing is an example of what Marx characterized as proper scientific activity, which means following the path that leads from simple abstractions to the real concrete, through adding on increasingly more concrete elements to abstract categories⁴.

A prior definition of the concept of circulation, as an abstract category, is necessary to allow for an adequate characterization of circulation phenomena. This is how Marx defines it:

“The first task is firmly to establish the *general concept of circulation or of turnover*. (...) Circulation is the positing of prices, it is the process in which commodities are transformed into prices: their realization as prices. (...) An essential characteristic of circulation is that it circulates exchange values (products of labour), and, in particular, exchange values in the form of *prices*. Thus, not every form of commodity exchange, e.g. barter, payment in kind, feudal services, etc., constitutes circulation. To get circulation, two things are required above all: *Firstly*: the precondition that commodities are prices; *Secondly*: not isolated acts of exchange, but a circle of exchange, a totality of the same, in constant flux, proceeding more or less over the entire surface of society; a system of acts of exchange” (Marx, 1976a, p. 118; 1993, p. 187-8).

² The analytic exclusion of capital, which is necessary in order to allow for the isolated analysis of the phenomenon of money, is confused with the problem of the historical precedence of money in relation to capitalism, giving rise to a discussion that is perhaps to some extent senseless, since the logical and historical aspects of the analysis are not adequately distinguished.

³ “The capitalist world market comprises units of capital that compete internationally in several commodity and financial markets, but within a system of national states” (Itoh & Lapavistas, 1999, p. 160).

⁴ To the extent that the circulation sphere, as an abstract category, is theoretically articulated to the capitalist mode of production as a concrete totality or a conceptual totality, it can be considered an abstract component of the real concrete. In this sense to consider its subdivision in national spheres constitutes a particularization of the real concrete.

When applied to the international sphere, this definition implies, from a logical and theoretical point of view, that the international circulation consists, first, of the formation of the international prices of commodities; second, of the circulation of exchange values determined as international prices; third, the constitution of an international sphere of circulation requires not isolated acts of international exchanges, but a continuous international flux of exchanges, or an 'international system of acts of exchange'. This formulation makes it possible to identify the material pre-conditions necessary for the possibility that an international sphere of exchange is constituted.

Taking into consideration the worldwide dimension of the capitalist economy presupposes two analytically relevant consequences. First, the expression 'international circulation sphere', as used by Marx, refers to a particularization of the general concept of circulation, which is the circulation that goes on between different countries or national spheres. To the extent that capitalism constitutes, in Marx's theory, a system that is worldwide since its origins, the international circulation sphere can be understood, to begin with, as what corresponds at the empirical level with the abstract concept of the circulation sphere as the undifferentiated scenario of the circulation of commodities and money. However, in reality the world economy is subdivided into differentiated national units. Therefore, there appears to be an essential difference between the concepts of *worldwide* and *international* spheres of circulation, since the term "international" presupposes national segmentation. A bit of reflection will show that it is the national spheres that, as continuous and homogenous spaces from the point of view of circulation, best correspond to the abstract category of circulation sphere at the empirical level. Thus, the international sphere will be understood here as the theoretical arena of the phenomena that express exchange relationships between different national spheres of circulation, intercepted by national boundaries⁵.

From the point of view of money, the constitution of an international circulation sphere is relevant in at least one fundamental aspect: in the development of the market economy the equivalent of value only becomes effectively *general* when this function is unified in one single commodity for the entire mercantile space, which means that the concept of money and its functions becomes uniformly valid throughout the entire world circulation sphere. However, the conclusion of this process merely completes the constitution of money, without introducing anything that goes beyond it. There are differences between the national and worldwide circulation spheres, but these are simply differences in both the ways and the forms in which money fulfills its functions. The forming of a truly universal

⁵ The international market constitutes a discontinuous sphere of worldwide circulation, given its segmentation in different national circulation spheres. It is, however, not a heterogeneous sphere, since the conversion of money (=gold) into world money - to the extent that it dissolves particular value equivalents and becomes a universal equivalent, also dissolves the

equivalent that dissolves the particularities of the diverse metals previously used as equivalents in the subdivisions of the international sphere - silver in particular - while maintaining national segmentation, constitutes a step in the theoretical tendency of the development of an undifferentiated worldwide circulation sphere. Thus the replacement of gold for silver and other metals, in the end of the 19th century, represents the historical realization of the logical result of Marx's suggestion of the transition from the expanded to the general form of value.

For greater theoretical precision of the concept, and based on the above-mentioned definition of the circulation sphere, the circulation between countries should be conceived of as a series of M-C or C-M acts, or even M-M, reflecting the circulation of commodities and money, and of loan capitals, respectively, intercepted by national boundaries. In order to explicitly represent this characteristic aspect of international circulation, these acts can be represented as M-(f)-C, C-(f)-M or M-(f)-M, in which (f) is a factor symbolizing the combined effects of national boundaries upon circulation acts, coming between both poles without changing their course. This form of representation of international transactions presumes the second of the above-mentioned developments, that is, the validity of these formulae as the representations of real processes is based on the assumption of a world wide circulation sphere equipped with world money (=gold), without which the forms M and C could not as such be transferred between national circulation spheres. The M and C forms of one sphere would not have equivalents in other spheres. In other words, the validity of the C and M forms in different national spheres implies a worldwide circulation sphere that is homogeneous, albeit segmented into different national spheres.

It should be noted that in the case of capitalist economies, the acts symbolized as M-(f)-C and C-(f)-M represent the first and third stages of the cycles of industrial capital. Nonetheless, this does not alter their character as circulation phenomena, in which money and commodities are simple elements of circulation, as will be demonstrated. performing cycles that are partially international, these forms of capital may appear in the following configurations:

1 M -(f)-C...P ...C'-M', when means of production are imported. It should be noted that the reflux of capital, represented by M', takes place in the import sphere. At the monetary level, therefore, this capital injects money into the external sphere and, at the end of the cycle, extracts money from the internal sphere. Thus, in the event that importation is not compensated by exportation coming from other

particularities of local markets and creates a unified world circulation sphere, albeit subdivided into national spheres, which is the root of the above-mentioned discontinuity.

capitals, the internal sphere will undergo a reduction of money (=gold)⁶ in circulation, which will have to be compensated through reserves of money as a means of hoarding.

2) $M-C...P...C'-(f)-M'$, consists of the exportation of a final product, and is the inverse of the previous cycle. Monetary capital M' , which in this case functions as a means of purchase, enters the export sphere and follows a path similar to that of simple money, that is, it does not return to its point of departure – a capitalist located in another country –but is incorporated into the cycle of domestic export capital. The entrance of M' constitutes one of money's numerous points of entry into the export sphere, as this occurs in simple circulation. However, to the contrary of what happens in the previous phase, this capital is injected into the domestic sphere in money form and extracts money from the external sphere. If there is an excess with regard to circulation needs, it will be absorbed by hoarding.

In both of the above-mentioned cases, the sale of C' , in (1) and the purchase of C , in (2), could also entail international operations, in the event that the (f) factor were present in both stages of each type of capital.

3) The same acts may represent the respective sales and purchase operations of commodities by commercial firms. In this case the corresponding formulas would be $M-(f)-C'-M'$ and $M-C'-(f)-M'$ ⁷, and money would follow the same trajectory, transferring itself with no return to the external sphere, in the first case, and entering the export sphere in the second.

It should be observed that although we are dealing with capital cycles, in neither case are we referring to capital export or import but to simple operations of the exchange of equivalents between different spheres which, in isolation, correspond to operations of simple circulation⁸. From the point of view of each capital, there is a metamorphosis from commodity to money form and vice-versa. However, from the point of view of monetary circulation there is a definitive entrance and exit of money, according to each case.

4) The form $M-(f)-M'$ directly represents the exportation of loan capital, presuming the reflux of M' to its origins. In this case there is, in reality, a double international intersection, so that the most correct form to represent the phenomenon would be $M-(f)-M-M'(f)-M'$, that is, the cycle of capital includes two international transfers mediated by the loan $M-M'$. Furthermore, the cycle

⁶ This way of referring to money is meant to remind us that money, for Marx, must be seen theoretically as a commodity, which under capitalism takes on the form of gold. See footnote 14.

⁷ Marx usually represents the cycle of commercial capital with the formula $M-C-M'$. Nonetheless, Marx's discussion of commercial capital requires that the commodity be purchased by the merchant at a cost that is below the production price, that is, s/he acquires the value C' for the price M and resells it for M' , with the difference representing commercial gains. Therefore, the most correct way of representing commercial capital would be, as above: $M-C'-M'$.

⁸ As in capitalist exchange commodities are not sold at their value but rather their production price, international trade may imply the exchange of non-equivalents, a point which will be analyzed later (Marx, 1993, p. 872).

represented as $M-(f)-M'$ can be taken as a general formula to represent the export or import of industrial capital. In this case there are at least two possibilities:

a) $M-(f)-M-C...P...C'-M'-(f)-M'$, when monetary capital is transferred to another circulation sphere, as a productive investment, returning after completion of the cycle. In this case money describes the very cycle of capital, coming back to its point of departure, circulating at the same time as simple money in the import sphere. Although money returns to the export sphere, on the one hand the time limit for its return depends on the turnover time of the circulating and fixed parts of each capital, while on the other hand more money comes back than what is exported, since $M' > M$.

b) $M-C-(f)...P...C'-M'-(f)-M'$, when the means of production are transferred, with a reflux in money form. In this case capital is exported in the form of commodities and comes back in the form of money, in such a way that the import sphere undergoes a direct drainage of money which is incorporated into capital's export sphere. It follows from here that there can be inequality in the money transactions between two countries, even when there is equality in value transactions.

All of the cases listed constitute acts of simple or capitalist circulation of commodities, of money, or of capitals. Their essence as transactions of this type is in no way altered due to the intersection of boundaries, which functions only as a factor that conditions the diverse transactions.

With what has been discussed up to this point, we have attempted to follow Marx's method, which consists of analyzing international monetary circulation on the same conceptual basis as domestic circulation, that is, the general theory of circulation. This rests on the assumption that the international sphere does not constitute a scenario of phenomena qualitatively different from those that go on within national spheres⁹. More precisely, the general theory of circulation constitutes the common conceptual basis for analysis of monetary phenomena in both spheres. This does not mean that the international sphere has no particularities nor complexities of its own – rooted in the structure of the (f) factor, introduced above. However, it does mean that on the one hand, the national and international spheres of circulation are, conceptually, the site of the same type of phenomenon and, on the other hand, that the particularities of the international sphere derive from the introduction of elements that are more concrete than those that are necessary for the analysis of the circulation of money and commodities *stricto sensu*. In the case of simple circulation, both in the national and international sphere, circulation refers to

⁹ This is based on the assumption that the capitalist economy constitutes a world system, as mentioned earlier. It should be noted that this is a necessary assumption for the theoretical analysis of international economic transactions, conceived of as capitalist transactions or transactions between capitals. Analysis of transactions between capitalist and non-capitalist economies would require a different theoretical approach.

circulation of commodities mediated by money¹⁰, whereas within capitalist circulation, the circulation of commodities and money represent moments of the circulation of capital. In both spheres and both situations, the concept of money and its functions are those developed by Marx, based on an abstract analysis, in his *Contribution to the Critique of Political Economy* and in Volume One of *Capital*. This means that the development of a theory of money and a general theory of circulation should abstract from the potential particularities of the different spheres of circulation, or in other words, the differentiation of the general sphere of circulation and its breaking up into particular subdivisions, that are different species of the same family - the circulation of commodities and money. The introduction of the international sphere and its differentiation into national spheres has an effect merely on the practical operation of both. In the case of money, for example, it affects the way its diverse functions are fulfilled and, in some cases, the instruments with which they are carried out, as we shall soon see.

Methodological Critique of Ricardo

Marx critiqued Ricardo's theory of money precisely because the latter did not adopt the type of procedures described above, that is, because he did not begin with an analysis of money in abstract terms, which means abstracting from or isolating extraneous factors. According to Marx, Ricardo distorted his analysis by inappropriately introducing the international sphere into it, as an explanatory factor. The concrete particularities of the international sphere of circulation do not constitute money but are, on the contrary, constituted by it. Marx's critique is based on the fact that, since international circulation is a more concrete phenomenon than is money, they cannot be dealt with simultaneously, as if they belonged to the same level of abstraction¹¹. Ricardo had initially elaborated a conception of money consistent with his labor theory of value, but abruptly introduced the international dimension (Marx, 1980a, p.230). The same methodological critique is directed toward the authors of the "banking school", such as Tooke, Fullarton and Wilson, with whom Marx nonetheless aligns himself in opposition to Ricardo. According to Marx,

“Generally speaking these writers do not first of all examine money in its abstract form in which it develops within the framework of simple commodity circulation and grows out of the relations of commodities in circulation. As a consequence they continually vacillate between the abstract forms which money assumes, as opposed to commodities, and those forms of money which conceal concrete factors, such as capital, revenue, and so forth” (Marx, 1970, p. 187; 1980a, p. 244-5).

¹⁰ “However, so far as the movement of precious metals on the world-market is concerned (...), it is quite as much determined by the international exchange of commodities as the movement of money as a national means of purchase and payment is determined by the exchange of commodities in the home market” (Marx, 1967, p. 320; 1980, p. 303)

¹¹ Marx asserts, caustically, that “if Ricardo had presented his theory in abstract form, as we have done, without introducing concrete circumstances and incidental aspects which represent digressions from the main problem, its hollowness would have been quite obvious. But he gives the whole analysis an international veneer. It is easy to show, however, that the apparent magnitude of scale can in no way alter the insignificance of the basic ideas” (Marx, 1970, p. 174; 1980a, p. 233).

As is evident, Marx's critique is primarily methodological, pointing out the insufficient use of abstraction as a theoretical tool, producing a theory that is difficult to sustain. Marx argues that Ricardo switched to the international dimension in order to justify the direction that his analysis takes on, initially contemplating money as bearing value, like any other commodity, and moving to the opposite position, as represented by Hume's theory. In turn, the authors belonging to the banking school introduce capital inappropriately into their analysis of money. Furthermore, according to Marx, Ricardo was only able to demonstrate his quantitative point of view via a theoretical artifice, which was to abstract – that is, to inappropriately exclude from consideration – “...all functions performed by money except its function as a medium of circulation” (Ibidem, p. ...). The most obvious and artificial omission in this case was that of the hoard form of money, that is, its function as a means of hoarding. It is due to this omission that it is possible to demonstrate quantitative theory's pretension that the value of money deviates from its real value whenever there is a divergence between its quantity and the total value of the commodities circulating in a given period of time¹². To judge by Marx's critique, Ricardo made two opposite mistakes related to the method of abstraction: on the one hand he included an inappropriate concrete element in his analysis - the international sphere - and on the other, he inappropriately excluded essential functions of money, while maintaining just one, that is, money as a means of circulation.

Marx points out that Ricardo's distortion of the facts of monetary circulation, in his effort to validate his version of the quantitative theory, went as far as asserting that losses of equilibrium in the trade balance are not caused by excesses in importation or exportation but result from a purely monetary phenomenon, the appreciation or depreciation of money¹³. This means that the trade balance is in the deficit not because more is imported than exported, but because money has depreciated, due to a domestic excess as for example in the case of poor harvests, which raise the level of domestic prices in relation to the world market. It is here that the role played by the omission of money's function as a means of hoarding becomes clear. Without this omission, Ricardo's entire hypothesis on the mode of regulation of international trade would collapse: prices would not increase and excess money would not need to be exported, as a way of reestablishing the equilibrium of the trade balance.

¹² Lapavistas, 1994, p. 454. For an insightful analysis of Marx's critique to Ricardo's theory of money, also Lapavistas, 1996.

¹³ “A few examples will show how arbitrarily actual phenomena are arranged by Ricardo to suit his abstract theory. He asserts, for instance, that in periods of crop failure, which occurred frequently in England between 1800 and 1820, gold is exported, not because corn is needed and gold constitutes money, i.e., it is always an efficacious means of purchase and means of payment on the world market, but because the value of gold has fallen in relation to other commodities and hence the currency of the country suffering from crop failure is depreciated in relation to the other national currencies. That is to say, because the bad harvest reduces the volume of commodities in circulation, the existing quantity of money in circulation exceeds its normal level and all commodity-prices consequently rise” (Marx, 1970, p. 177/1980a, p. 235).

Marx's critique is up-to-date and relevant since, contrary to his position, it seems impossible today –even more than in Ricardo's and his own time - to analyze capitalist monetary circulation without taking the international dimension that it has attained today into account. The incorporation of this dimension of analysis seems imperative, since in the past, if money (=gold) circulated in the international sphere as world money, today its functions are not carried out by gold but by credit money which in addition is expressed in a national monetary standard, the dollar. The latter is neither money, nor world money, but credit money, a national monetary standard which nonetheless functions as a means of circulation and an international reserve.

Nonetheless, the consideration of the international sphere is not a methodological error analogous to that which Marx critiqued in Ricardo, insofar as the theory of money and of credit money as elaborated by Marx, is employed as a necessary conceptual instrument for the analysis of international monetary phenomena, conceived of as a specificity of the previously elaborated categories of the general theory of circulation and of money. If however we aspire to review the theory of money, then it becomes necessary to abstract it correctly for analysis, and in this case the introduction of the international dimension would be hazardous and would distort our outcome. One distortion of this type is the common objection made by Marxist authors to the theory of money as a commodity, based on the contemporary concrete configuration of international monetary circulation in which money (=gold) no longer circulates or circulates very little. In this case the methodological distortion consists of the fact that international circulation does not correspond to the level of abstraction needed to define money.

Monetary system and credit system

Marx distinguishes between simple and capitalist circulation as two configurations of circulation. The first can be characterized by the prevalence of the value relationship, that is, of money. In the second the capital relationship is added on to the value relationship as the dominant one and the circulating medium is increasingly made up of credit money rather than money. Marx denominated these two situations, respectively, as “monetary system” and “credit system”. The monetary system¹⁴ refers to the circulation sphere that corresponds to simple commodity circulation, abstracted (that is, excluded for analytical purposes) from the capital relationship and in which money (=gold) itself fulfills the monetary functions that belong to it. As a first step in the analysis of capitalism, the abstraction or abstract representation of so-called simple commodity production and the corresponding simple circulation enable us to focus on the development of money as an expression of the pure buyer/seller relationship, independent of the nature of the producers. The development of the functions of money gives rise to the money system as it

¹⁴ Marx does not formally define the expression “monetary system”, but its meaning is clear. There are numerous references to it throughout his work, but the most expressive can be found in Marx, 1970, p. 157-9/1980a, p. 217-9; 1976b, p.78, 184-7.

were, in which money (=gold) circles directly, barely complemented by symbols of value and by commercial bills as a means of circulation.

In the step that follows, the capital relationship is introduced, as a result of which the monetary system develops into the credit system, based on the generalization and prevalence of its functions as a means of payment, from which monetary credit and the banking system spring. The same procedure should be adopted for the analysis of the international sphere. Within the latter, what should be identified in the first place are the functions of money as an expression of the simple value relationship, followed by the introduction of capital. However, considering –as has been mentioned – that according to Marx, capitalism is in its origins a world system, the monetary system and the credit system should be seen as developing simultaneously within the national and international spheres. Thus, the international circulation sphere, under the hypothesis of simple circulation, would constitute the “international monetary system”, and under capitalist circulation, the “international credit system.”.

The monetary system, in addition to constituting an analytically useful abstraction, also constitutes, on the one hand, a historical element that precedes capitalism, and on the other hand, a segment of circulation that remains present as a normal instance of circulation (Marx, 1980a, p. 218-9; 1974, p. 240) and a possible element of crises situations¹⁵. Thus, according to Marx capitalism’s own form of money is gold¹⁶. Although it is an essential category of the capitalist economy, money is not a product of capitalism, but is inherited from the development of the circulation sphere under the conditions of the mercantile economy prior to capitalism (Marx, 1980a, p. 39; Harvey, 1982, p. 251). Within national spheres, with the evolution of the mercantile economy, money (=gold) is *reduced* to currency, through its subjection to the legal norms that pertain to the latter. Therefore, national spheres do not create money, but appropriate it, branding it with a national character and adapting it to their legal apparatus. Thus, the first step in the analysis of the characteristics of international monetary circulation is to begin with the assumption of simple circulation in order to determine the specificities that its international character gives to the simple circulation of commodities and money.

¹⁵ Upon describing the means of payment function, Marx refers to the frenetic race to obtain money (=gold), which occurs at the “particular phase of world market crises”, as a “sudden transformation of the credit system into a monetary system” (Marx, 1970, p. 146/1980a, p. 208).

¹⁶ “Gold and silver are not by nature money, but money consists by its nature of gold and silver” (Marx, 1970, p. 155/1980a, p. 215). According to Marx’s theory, money is a special sort of commodity that emerges as the spontaneous product of the development of mercantile exchange. Gold and silver are the commodities that, due to their natural characteristics, are best suited to the particular functions of the money commodity. Although in works prior to *Capital* Marx refers both to gold and silver, in *Capital* he emphasizes the preponderance of gold as a general equivalent and therefore as money, within developed capitalism. In reference to the transition to the money form, Marx asserts that “the character of direct and universal exchangeability — in other words, that the universal equivalent form — has now, by social custom, become finally identified with the substance, gold” (Marx, 1952, p. 30/1981, p. 49).

The constitutive elements of the credit system, according to Marx's formulations, are as follows: an initial ample development of commercial credit and the usage of commercial bills to substitute money as a means of circulation among capitalists, mediating the transactions involving larger values. With commercial credit comes money's function as a means of payment, which culminates in its usage for settling balances among capitalists. The development of an increasingly wide-reaching banking system, starting with money-dealing capital, progresses to its integration through the constitution of a central bank. Over this base, a hierarchy of credit titles is established as a means of circulation and payment, forming a pyramid at whose vertex private bank notes initially appear, followed later by central bank notes and bank deposits. As this hierarchy of credit titles in increasing order is established, money (=gold) migrates gradually toward the top levels of the monetary pyramid and ends up concentrated at the top, the central bank. The research presented here proceeds to identify the evolution of this process in the international sphere.

Historical aspects of the analysis of national and international monetary interaction.

Two movements in apparently opposite directions can be found in Marx's discussion of the process of the constitution of money in national and international circulation spheres. The first movement is from the outside inward, that is, Marx maintains that the circulation of commodities and money do not emerge historically from within primitive communities – and therefore not within the internal economic sphere – but in the points of contact between different communities (Marx, 1980a, p. 26, 210; Marx, 1980, p. 299.) Since money is transferred between circulation spheres that are submitted to different sets of rules (codified in laws or simply based on custom), its value cannot be derived from convention, as in the case of symbols of value – conventions and laws being valid only in national spheres – but must be an object endowed with an intrinsic value, that is, it must be a commodity. Thus, the value of money is not derived from any legal device but from the labor invested in its production. Consequently, in international circulation money can only fulfill its functions in its direct commodity form, bearing no national stamp. Nonetheless, in the later development of internal circulation, money is reduced to currency or to mere means of circulation, presupposing a juridical base that defines the unit of reference for the measure of prices – standard of price or monetary standards¹⁷ - and determines the materials that can be used to substitute money in the specific function of means of circulation, or symbols of value. Thus, in this first movement the monetary standard appears as a national particularization of world money.

¹⁷ The monetary standard is defined as a particular quantity of money (=gold) as fixed by law.

The second movement is carried out in the opposite direction, from the national to the international sphere, as is characteristic of modern capitalism¹⁸. It is as if, after constituting money in the arena of international exchange, it were inverted and developed within national spheres as currency. With the development of domestic wealth, however, hoarding emerges, that is, the storing of wealth in the general form of value, as money (= gold).. For this purpose currency must be re-converted to money, in other words, into gold, and in this form it breaks through national boundaries again and becomes world money¹⁹. In this case money must take off the “national uniform” it took on in its currency form and turn into world money again, in other words, take on the explicit commodity form of money as gold²⁰. Marx is explicit in his list of the purely conventional forms – derived from money as based on local laws – proper of national spheres: standard of price, currency, fractional money and symbols of value, forms that money must leave behind upon entering the international sphere. This second movement seems to articulate itself, in Marx’s exposition, within the historical development of the world market in the transition from feudalism to capitalism²¹.

It seems evident that a long and complex historical period lies between these two movements. The first movement suggests an explanation for the original emergence of money as a category arising spontaneously from exchange, which later evolves, within particular circumstances, into the limited internal spheres of the modes of production prior to capitalism. Given the world nature of capitalism, with its expansion money develops simultaneously as world money²² and as the basis of monetary standards within national spheres. Nonetheless, the development of capitalism implies the development of elements that are essential to an expansion that surpasses the barriers represented by purely metallic circulation, and these elements are developed in both spheres – national and international – simultaneously, supporting each other reciprocally. The essential element in this process is commercial credit and its immediate product, the bill of exchange as the most widespread commercial title, as will be shown in the following section.

¹⁸ “In the most developed international system of exchange, gold and silver present themselves fully in the form in which they have already played a role in the ancient exchange trade” (my translation from: “In dem entwickeltsten internationalen Austauschsystem erscheint Gold und Silber ganz wieder in der Form, wie es schon im ursprünglichen Tauschhandel eine Rolle spielt”, Marx, 1980a, p. 26).

¹⁹ “Gold becomes money, as distinct from coin, first by being withdrawn from circulation and hoarded, then by entering circulation as a non-means of circulation, finally however by breaking through the barriers of domestic circulation in order to function as universal equivalent in the world of commodities. It thus becomes *world money*” (Marx, 1970, p. 149/1980a, p. 210;).

²⁰ “Money functioning as world money reverts to its original natural form” (Marx, 1970, p. 149/1980a, p. 210).

²¹ As has been stated earlier, in Marx’s view capitalism emerges from the very beginning as a worldwide system. Long distance trade, the colonial system and the slave trade are fundamental elements of the period of primitive accumulation, which is capitalism’s formative period (Marx, 1952, p. 371-7/1981, p. 693-703).

The functions of money in the international sphere.

As we have mentioned, the theoretical analysis of international circulation is based, on the one hand, on the concepts developed in the abstract analysis of the circulation of commodities and money and, on the other hand, on the effects deriving from national intersection, symbolically condensed in the (f) factor, that defines the greater degree of concreteness that characterizes this theme. One of these effects, according to Marx, consists in the differentiation of the hierarchy of the functions of money and the forms through which the latter are carried out, in relation to general circulation²³. As we have argued, the nature and functions of money in the international sphere do not differ from those developed through abstract analysis and verified in national circulation spheres²⁴.

In the analysis of international circulation, the first and most preeminent function of money is that of world money. Although he deals specifically with this function, Marx explicitly states that he is not dealing with a new function²⁵. On the contrary, it is within the international sphere where money appears objectively, in the first place, as a value equivalent of *universal* character, and fulfilling the functions that are proper to money as such, which are the same for the national and international spheres²⁶. What elevates money to the status of world money is specifically the fact that, through the expansion of world trade, commodities display their value ever more widely throughout the entire world circulation sphere²⁷. What in fact leads trade to expand at the world level is the spreading of the industrial revolution and its effects, with its mass production and hence mass consumption, leading to the uniformization of production and consumption standards. This in turn leads to the uniformization of the means of expressing value, increasingly reducing them to one exclusive form, which is money (=gold).

²² That is, gold is gradually adopted as money by all the important capitalist countries, which is what characterizes the so-called "international gold standard."

²³ These specificities are of the same type as those that manifest themselves, for example, when the capital relationship is superimposed upon the value relationship. In this case, the function of means of payment prevails over that of means of circulation, as does that of credit money over the symbol of value, without any alteration in the definition of the forms and functions of money.

²⁴ "Attending the needs of trade and finance, all functions of money are performed in the international sphere by world money" (Saad-Filho, 1993, p. 80).

²⁵ "The determination of money of functioning as an *international* means of exchange and of payment, is in fact not a new determination which adds to money as such, universal equivalent - and therefore being able to function either as gold or as means of payment. The determination as the universal equivalent contains the determination as the universal commodity, in which precisely for the first time money realizes itself as world currency" (my translation of: "Die Bestimmung des Geldes als *internationales* Tauschmittel und Zahlungsmittel zu dienen, ist in der That keine neue Bestimmung, die zu der Geld überhaupt, allgemeines Equivalent - und darum so wohl Schatz, wie Zahlungsmittel zu sein, hinzukömmt. In der Bestimmung des allgemeinen Equivalents ist die Begriffsbestimmung als allgemeine Waare enthalten, als welche das Geld zwar erst realisiert wird als Weltmünze", Marx, 1980a, p. 26).

²⁶ For an approach critical of Marx's, see (REUTEN and WILLIAMS, 1989, p. 198-201).

²⁷ "Because in the world circulation commodities unfold their own exchange-value universally, the latter's figure, transformed into gold and silver, appears as world money" (my translation from: "Weil in der Weltcirculation die Waaren ihren eignen Tauschwerth universell entfalten, erscheint dessen in Gold und Silber verwandelte Gestalt als Weltgeld", Marx, 1980a, p. 212). In the English translation: "Because the exchange-value of commodities is universally developed in international circulation, it appears transformed into gold and silver as international money" (Marx, 1970, p. 152).

Inversely, gold's conversion to world money turns industry and trade into mere means for gathering it from all the diverse corners of the world market and, thus, into factors that accelerate the unification of the world market²⁸.

In this manner, the adoption of gold as money, in all capitalist countries, during the last quarter of the 19th century- period during which the so-called international gold standard was in force – is not a strictly monetary phenomenon, but the monetary expression of the unification of the world circulation sphere under the dissolving force of the expansion of industrial capital and the subsequent elaboration of world money in the form of gold. Therefore, its theoretical explanation is situated outside the monetary field, a notion that corresponds completely to the conception of money, in Marx's theory, as a category that is completely derived from and dependent on the production and circulation of commodities, and specifically of capital, when the latter comes to be constituted. The elimination of silver's status as money from one part of the world economy makes up the last episode in the constitution of world money. As we have mentioned, to the extent that both gold and silver constitute value equivalents, each one adopted by a particular group of countries, there was not one universal equivalent but two, which in fact means that neither was truly universal, each one operating within a part of the international circulation sphere. Therefore, there were two interpenetrating international circulation spheres in the world economy, since the difference between two countries with regard to the type of material constituting value equivalents did not stop exchange between the two. It did however make the exchange more difficult, given, among other things, the constant need for conversion, the constant fluctuation of the value relations between both, and the need to hold reserves in both forms. But Marx also observed that, in the national sphere, there could be only one equivalent²⁹. It can be deduced from here that the establishment of ever tighter economic links between countries would lead, necessarily, to the constitution of an exclusive value equivalent, that is, an effectively *universal* equivalent, a phenomenon that came into being as the so-called "international gold standard".

The second function to consider is that of money as a means of circulation. In the international sphere, however, money (=gold) does not function as a means of circulation, a function in which it mediates the C-M-C cycles that integrate the general circulation of commodities³⁰. This function constitutes a specific

²⁸ "Since as a result of their versatile industry and all-embracing commerce the nations of commodity-owners have turned gold into adequate money, they regard industry and commerce merely as means enabling them to withdraw money in the form of gold and silver from the world market" (Marx, 1970, p. 152/1980a, p. 212-3).

²⁹ "We have seen that only one commodity serves as a measure of value in the internal circulation of any country" (Marx, 1970, p. 149/1980a, p. 210). Kindleberger, also referring to bimetallism, states, in the same sense: "The medium-of-exchange function can tolerate more than one money without too much trouble; the unit-of-account function cannot. (...) when there are two monies and their relation, one to the other, changes from day to day, a problem arises" (Kindleberger, 1984, p. 55).

³⁰ "Gold and silver in the sphere of international commodity circulation appear not as means of circulation but as *universal means of exchange*" (Marx, 1970, p. 150/1980a, p. 211).

characteristic of national circulation spheres, since in this case, money (=gold) is reduced to currency³¹ and symbol of value, possessing a conventional nature supported by a particular legal basis, specific to each country. Now as world money, gold sheds the characteristics of a monetary standard and the symbols and conventions linked to it, and becomes reduced to its original commodity form: what counts are its karats and its weight. Only world money is valid in all national spheres. Therefore, a means of circulation has validity only within national spheres, and cannot go beyond its borders. On the other hand, the payments made by one country to another imply a definitive transfer of money from the debtor to the creditor³², meaning that it can not be a mere symbol of value but must represent a real value, which can only be the one that it holds as materialized labor, that is, as a commodity. In this sense international trade can be compared to barter, since gold functions, in each transaction, as a commodity exchanged for another. The comparison with barter, however, is only partial, since in barter there is no universal equivalent and the category of value is not developed, while in capitalist international trade, which presupposes gold as world money, the category of value is completely developed. With gold as a universal value equivalent, it follows that a commodity's equivalent in gold is its "money price"³³ and expresses its fully developed value.

In the international sphere money basically fulfills its functions as a means of purchase and payment for the settlement of international balances even within the hypothetical conditions of simple circulation³⁴. Thus the analysis of these functions should follow. The means of purchase function is not classified by Marx, in his texts on money, as a specific function, but is mentioned in diverse passages referring to other functions. Its precise meaning can only be appreciated by bringing these diverse references together. At a first glance this function can be mistaken for that of a means of circulation, since in the C1 -M-C2 cycle the money obtained through the sale of C1 is destined for the purchase of C2 –thus functioning as a means of purchase– and all the money possessed by an individual comes, under normal conditions, from sales. Thus, money functions as a means of purchase in its normal function as a means of circulation. This continues to be valid with regard to purchases made in other countries, since the money employed was obtained through domestic sales, mediated a cycle of the C1-M-C2 type. The problem

³¹ For Marx it is the English term *currency* that best represents the theoretical concept of an instrument of circulation, which, without regard to the material of which it is made, performs the function of means of circulation of money ["The English have the apt expression *currency* for money as medium of circulation (Münze, coin, does not correspond to this, because it is itself the medium of circulation in a particular form again) and money for it in its third attribute", Marx 1993, p. 875/1981a, p. 735]. This instrument, given its character as a mere intermediary for commodity exchange – which means it is not meant for hoarding – need not be made up of the same material as money itself, but could be made of less costly materials– the symbol of value – and bears its monetary values imprinted on it.

³² "As the *universal commodity*, as *world currency*, neither the reflux of gold and silver to its starting point, nor more generally the motion of the circulation as such, are required" (Marx, 1976b, p. 121 - my translation from Spanish version).

³³ "Money price" is how I name the value of the commodity expressed in the money material, that is, in gold, in order to distinguish it from the "standard price", which is the value as expressed in the monetary standard (Germer, 1997, p. 50-4).

seems to reside in the concept of *circulation*. The C1-M-C2 cycle is a cycle of *commodity circulation* in which money functions as a means of *commodity* circulation, and it does so as a means of purchase. Within international trade, as it has been stated, there is no commodity circulation in this sense, but simple purchases, as acts isolated from the sales acts from which money originates, the latter being lost in the external sphere³⁵. Therefore in this case, gold does not operate as the mediator of the C1-M-C2 process, that is, as a means of circulation, but only as a means of purchase³⁶. However, if the act of *commodity circulation* consists in *changing hands*, in this sense money does make them circulate³⁷. Thus it seems that two meanings should be given to the expression “means of circulation”: one, simply “to circulate”, that is, to change hands, and the other, to make a particular mass of value complete the circular movement C-M-C.

In short, the “means of purchase” function consists in the isolated act M-C, through which money buys commodities. But Marx uses the concept in three circumstances. The first in his exposition of the means of circulation function – in the C-M-C cycle – when the producer buys commodities via cash payment after having made a sale. The second is the means of payment function, in which he purchases as well but with payment deferred. In this case it functions as an “ideal means of purchase” (Marx, 1952, p. 63). Finally, in international trade money functions “exclusively as a means of purchase” when one country purchases from another regardless of having engaged in selling, thus having to pay in money (=gold). Marx exemplifies this with the acquisition of foods abroad, due to a poor harvest and without any corresponding sales. Thus, in this sense, in international capitalist trade money (=gold) does not function as a means of circulation but simply as a means of purchase. In this case, to the extent that national spheres remain individualized and differentiated spheres of circulation, there is buying and selling, but no circulation of commodities in the theoretical sense that makes money a means of circulation.

³⁴ “The universal means of exchange act however merely as *means of purchase* and *means of payment* ...” (Marx, 1970, p. 150/1980, p. 211).

³⁵ “When in the sphere of internal circulation money was used as coin, i.e., as the intermediary link in the dynamic unity C-M-C or as the merely transitory form of exchange-value during the perpetual motion of commodities - it functioned exclusively as means of purchase. The reverse is the case on the world market. Here gold and silver act as means of purchase if the interchange is only unilateral and therefore purchase and sale are separated” (Marx, 1970, p. 150/1980, p. 211). When Marx asserts that money, as currency, functions ‘exclusively as a means of purchase’, what he means is that it does not have a hoarding function.

³⁶ “That gold and silver, in the determination as *world money*, in no way necessarily perform the circular movement that is typical of them as currency itself, but can instead unilaterally represent either the one side as buyer or the other as seller, is also one of the observations that won its way during the infancy of the bourgeois society” (my translation of: “Dass Gold und Silber in dieser Bestimmung als *Weltmünze* aber keineswegs nothwendig die Cirkelbewegung beschreiben, wie als eigentliche Münze, sondern einseitig die eine Seite als Käufer, die andre als Verkäufer fortfahren können, sich zueinander zu beziehn, ist ebenfalls eine der Beobachtungen, die sich sofort in den Kinderjahren der bürgerlichen Gesellschaft aufdrängten”, Marx, 1980a, p. 24).

³⁷ This is the exact meaning of the concept of circulation, used for example in the discussion of means of payment: “the means of payment actually steps into circulation, leaves the hand of the buyer for that of the seller” (Marx, 1952, p. 63).

The means of payment function for the liquidation of commercial balances

As international trade develops, the function of money (=gold) as a means of payment expands, in such a way that just as in the national sphere, it is commercial credit that functions as a means of causing commodities to change hands. In this case money functions in the first place as a measure of value, and then as an ideal means of purchase. Money only enters the circulation process at the time of payment, precisely in the function of a means of payment. However, as soon as international trade acquires a certain regularity, money's functioning is restricted to that of means of payment in the liquidation of balances remaining from the compensation of reciprocal debts³⁸. Como se verá, o método amplamente dominante de pagamentos internacionais é o da compensação de créditos recíprocos.

The means of payment function plays a fundamental role in the edification of capitalism's monetary system. According to Marx's theory, commercial credit –that is, the deferment of payments – constitutes the naturally developed base of money's means of payment function, and this is the basis of the entire credit system and specifically of the banking system and of credit money. This interpretation, although developed in the context of the concrete analysis of the national circulation sphere, is supported by concepts pertaining to the general theory of circulation. Since the latter are equally applicable to the international sphere, it is legitimate to assume that the phenomena evolving from it follow along lines similar to those of national spheres. Thus, the basic hypothesis of this current research is that, within the international sphere, the expansion of commodity circulation gives rise as well to the expansion of commercial credit and of money's function as a means of payment, the bases for the development of progressive forms of credit money, which in turn presuppose the development of an international banking system. However, the aforementioned particularities introduced in international transactions due to the influence of border intersections, symbolized by factor (f), should be taken into account. Therefore, the next step to be taken is the investigation of the development of the means of payment function within the international sphere, with all of its implications.

In the development of the function of international means of payment, the bill of exchange, which is a credit title³⁹, played a fundamental role, circulating until payment was made and thus fulfilling a

³⁸ “With the development of commodity exchange between different national spheres of circulation, the function which world money fulfils as *means of payment* for settling international balances develops also” (Marx, 1970, p. 150/1980a, p. 211). “Its function as a means of payment in the settling of international balances is its chief one” (Marx, 1981, p. 116; 1952, p. 67).

³⁹ According to Marx, the bill of exchange should be understood as an expression of credit of commodities instead of money, since the seller advances the merchandise to the buyer, receiving payment at a later date. The nature of the bill of exchange does not involve monetary credit, neither theoretically nor historically. Even when the bills were drawn upon the buyer for immediate payment, in other words, upon the bill's receipt, there was always a kind of credit in species, since it took some

monetary function⁴⁰. The use of the bill of exchange, among other advantages, avoided the need to transport money (=gold) itself, which was troublesome due not only to its weight but the risk of loss in accidents or robberies. Bills of exchange fulfilled monetary functions during several centuries before becoming linked to monetary credit through discounting. In this initial period, to the extent that specific agents became merchants of bills of exchange, these agents represented what Marx termed “money-dealing capital”, responsible for monetary operations of a merely technical character, such as carrying out payments, receiving payments, compensating reciprocal credits, the safekeeping of balances in money, etc., mainly for the benefit of merchants. A lengthy quote from Marx is worthwhile here:

“Trading in money, commerce in the money-commodity, first developed therefore out of international commerce. Ever since different national coins have existed merchants buying in foreign countries have had to exchange their national coins for local coins, and vice versa, or to exchange different coins for uncoined pure silver or gold -- the world-money. Hence the exchange business which is to be regarded as one of the natural foundations of modern finance. Out of it developed banks of exchange, in which silver (or gold) serves as world-money -- now called bank money or commercial money -- as distinct from currency. Exchange transactions, in the sense of mere notes of payment to travellers from a money-changer in one country to a changer in another country, developed back in Rome and Greece out of the actual money-changing. Trading in gold and silver as commodities (raw materials for the making of luxury articles) is the natural basis of the bullion trade, or the trade which acts as a medium for the functions of money as universal money. These functions (...) are two-fold: currency movement back and forth between the various national spheres of circulation in order to balance international payments and in connection with the migrations of capital in quest of interest; simultaneously, flow of precious metals from their sources of production via the world-market and their distribution among the various national spheres of circulation” (Marx, 1967, p. 317-8/1980, p. 238-9).

Bills of exchange were not discounted, but rather bought and sold, and therefore bore no connection to monetary credit, as has been mentioned (Kindleberger, p. 39). Nonetheless, their usage in international transactions had important monetary effects, as consequences of compensation. In each country bills were transacted between importers and exporters, compensated and thereby reducing the need for international payments in money (=gold) to a minimum. Money thus functioned as a means of payment for the settlement of international balances. Each city established a market for bills of exchange in which the relationship between supply and demand determined the oscillations in the exchange rates of the different currencies involved in the transactions. The oscillations were limited by the so-called gold points. In times of scarcity of bills needed to cover balances owed abroad, the latter had to be settled in specie, that is, with money (=gold). On an annual basis, commercial deficits or surpluses between two countries led to the physical transfer of gold to the country holding the surplus, without the interference of

time for the bill to arrive at its destiny, due to the slowness of communications. Even for neighboring cities, a bill's delivery would take several days, taking as long as several weeks or even months between distant cities (Kindleberger, 1984, p. 39).

⁴⁰ The importance of the bill of exchange as a lever for circulation has been emphasized by all of the important authors who have devoted themselves to the topic, at least since Adam Smith (Smith, 1952, p. 133-137). Thornton, whose classic book analyzes the functions of credit money in great detail for the first time, devoted the first two chapters of his book to bills of

monetary authorities or the provision of money (=gold) reserves. The transactions between merchants in different countries all occurred spontaneously. Centralization and the control of the national reserve are phenomena that emerge together with the developed banking system.

Private banks emerge in Europe initially only as the purest form of money-dealing, primarily carrying out operations of exchange, deposit and remittances abroad, and dealing only sporadically and always locally with monetary credit⁴¹. The periodization of the evolution of credit relations should refer to the significant periods that mark capitalist development, according to the interpretation offered by Marx's theory. With capitalism conceived specifically as the dominion of capital over the productive sphere, Marx characterizes the industrial revolution as a condition that carries this dominion forward, preceded by the manufacturing era as an "already capitalist preparatory period". Considering that the consolidation of industrial capital is also a condition for the complete subordination of commercial and banking capital to the logic of the former, it seems necessary to explicitly establish the relationship between the development of industrial capital and the banking system⁴². In this regard, it should be admitted that the banking system in a modern sense could only begin to develop after the industrial revolution. As it spread, banks became increasingly subjugated to the structure of the turnover of capitals, which determines the supply and demand of loan capital, the raw material with which banks operate, and which is supplied to them by industrial and commercial capital, with the latter reduced to an appendage of the former. There are other, older precursory factors that should be taken into consideration, linked to the development of national states and older commercial and usury capitals. In fact, the factors that Marx saw as working as points of support for the emergence and development of banks in the manufacturing period are not situated in the production sphere. Two of the most important are the financing of public debt, in other words, that of the State, and Vatican's financial transactions⁴³.

We see therefore that, in the same way in which it occurs within national spheres of circulation, the dissemination of commercial credit and of money's function as a means of payment constitute the basis for the development and expansion of credit money and the banking system in which it is immediately rooted, in the international sphere as well. Thus, following indications that flow from Marx's theory

exchange (Thornton, 1962, p. 75-89) Mill examines bills of exchange as one of the forms through which "credit substitutes money" (Mill, 1983, p. 69-77).

⁴¹ Referring to the first banks, Kindleberger explains that "... they conducted business largely in exchange of currencies, with no element of credit. Over time, money-changers evolved into exchange bankers who remitted funds, or deposit bankers who transferred them locally and sometimes made loans..."(Kindleberger, 1984, p. 42)

⁴² It should be noted that, although banks emerge in the early days of the transition to capitalism, the constitution of the banking system in a modern sense corresponds to the more developed stages of capitalism, which initiate roughly around the mid-nineteenth century and come to constitute a generalized phenomenon only in the twentieth century.

⁴³ "The ecclesiastical assessments levied by the popes on nearly all Catholic countries contributed in no small measure, firstly, to the development of the entire money system in commercially active Europe, ..." (Hüllmann, quoted by Marx, 1993, p.

for the analysis of the development of the concrete forms of the international monetary system, we should proceed to investigate the development of credit relationships, and banking relationships in particular, within the international sphere.

Other functions of money

The remaining monetary functions and phenomena are fulfilled in the international sphere in the same way as within national spheres, with particularities that do not effect their common nature. Thus, the quantity of money that is present in international circulation is determined in the same way as in the national sphere, that is, as a function of the sum of the values of circulating commodities and the value of money itself, given its velocity. Since this sum is of a continuously variable size, it follows that the quantity of money present in the sphere of circulation should fluctuate correspondingly, which necessarily implies the function of means of hoarding as a mechanism that adjusts the amount of money in circulation with the demands of circulation in each moment⁴⁴. Before the constitution of the banking system and the reserve bank, which is the central bank, hoards remained dispersed throughout the entire economy, in the hands of individual producers. Such hoards owe their existence, at an individual level, both to the pure greed for the accumulation of wealth and the need for reserves to cover the amounts that correspond to the fulfillment of the means of payment function. Even when spread throughout the economy, individual reserves sum up to a mass that constitutes the national reserve. The consideration of the international sphere reveals that, alongside the reserves conditioned by internal circulation, another sum of reserves for international means of payment is formed, necessary for the payment of international balances, as explained earlier. Thus, before the emergence of integrated national banking systems, the “means of payment” function for the liquidation of international balances should not be understood as an accounting arrangement carried out by a national monetary authority, such as a central bank – which was non-existent in the early days of capitalism – but as an operation generally carried out by market agents.

Conclusions

The investigation carried out through this research enables us, in the first place, to make it evident that Marx’s theory of money is supported by a general conceptual structure that can be applied both to

838/1981a, p. 703). Kindleberger similarly asserts that “quickly, Italians became skilled in transferring monies in international trade, and handling the substantial payments received and dispensed by the Church in Rome” (Kindleberger, 1984, p. 43).

national and international circulation spheres. In the second place, it is also evident that Marx's analysis established a wide-ranging approach to the international sphere. In this paper, however, we focused primarily on the general theory of circulation and its expression in the abstract situation of simple circulation. The texts in which Marx focuses specifically on international phenomena under developed capitalism, numerous and specially concentrated in Book Three of Capital, are excluded here and left for further development of our current project.

Por outro lado, considerando a dependência que se estabelece, na teoria de Marx, dos fenômenos monetários em relação ao processo material de produção e circulação de mercadorias, esta investigação permitiu constatar que esta relação de dependência permite estabelecer um vínculo específico entre a periodização da evolução do sistema monetário internacional e do capital industrial em termos globais. Assim, o sistema bancário, na sua feição moderna, só pode começar a emergir a partir da consolidação e difusão da revolução industrial. Esta constatação indica, para a continuidade desta pesquisa, que o vínculo industrial/bancário seja mais rigorosamente focalizado a fim de estabelecer as bases precisas da periodização da evolução do sistema monetário internacional.

Nonetheless, considering the dependence of monetary phenomena on the material processes of commodity production and circulation established in Marx's theory, this research enables us to confirm that this relationship of dependence permits the establishment of a specific link between the evolution of the international monetary system and of industrial capital in global terms. Thus, the banking system in its modern form only begins to emerge with the consolidation and spreading of the industrial revolution. This verification indicates that, for the research that is to follow from here, the industrial/banking link must be brought into rigorous focus, in order to establish the precise bases for a periodization of the evolution of the international monetary system.

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⁴⁴ "International circulation, like domestic circulation, requires a constantly changing amount of gold and silver. Part of the accumulated hoards is consequently used by every nation as a reserve fund of world money, a fund which is sometimes diminished, sometimes replenished according to fluctuations in commodity exchange" (Marx, 1970, p. 150-1/1980a, p. 211-2).

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