Money and Capital as Commons

None are more hopelessly enslaved than those who falsely believe themselves to be free.

—Goethe

Erebus Wong (Huang Yushu)

Key points

In this essay I endeavour to expand Marx’s theory of value to establish a general theory of commons value which accommodates the ideas of commons and eco-critique. I take cooperation as the fundamental fabric of sociality. Social cooperation (commons-making), knowledge (information-commons) and eco-system (despite classical economics) should be identified as the sources of value and value creation. Much difficulty and confusion lie at the duality of value-form. People misread Marx because they fail to grasp the dynamics(dialectic) in this duality. Value should be contextualized and mapped on a whole for its manifestation. The dichotomy of value and exchange value is describing two different value-forms mapped respectively on two levels of the whole: society and market (which in turn is embedded in society as a whole). Marx’s diagram of capital movement can be expanded as follows:

Market M C C’ M’ Price (exchange value) Circulation

Society P P’ Value V= f(σ, k, e) Production

V= f(σ, k, e) is the value function, where σ=cooperative effort, k=knowledge, e=ecological impact

Market and enterprise are two different social institutions. As an agent of market, enterprise itself is hierarchal and non-democratic. Much confusion would arise conflating them. Value is created through social cooperation and added to social wealth as a whole. Nonetheless, profit has to be realized in market through price mechanism. This back-and-forth shift between market and society in capital movement is the root of confusion in understanding the dynamics between value and price. People often mistakenly conflate the two forms trying to understand economic phenomenon.

Another confusion arises from misunderstanding the role of money. Orthodox economics falsely represents money by barter trade model, where it merely acts as medium of exchange. Money in modern economy is not merely medium of exchange (as well as unit of value measure, means of settlement and storage of value, etc). Money is the right to claim a portion of wealth from society. Monetary system is the social institution of wealth distribution in modern society. Currency is a system by which this right is distributed by different quantity among social agents. All glimmering substances and dizzying forms it assumes merely function as carrier of this abstract right. Therefore, money is always a power phenomenon.

Capitalism is different from previous societies where the fruits of social production were directly taken away from the producers by elites based on various institutional or pre-institutional arrangements. The expropriation and deprivation was very clear. The confrontation and antagonism was obvious. In capitalism, however, the appropriation is conducted with much greater subtlety. Now the crux of the game is the distribution of the right to claim wealth instead of direct expropriation. This minor change is a stroke of genius and has enormous veiling effect on social antagonism, concealing money and capital as a form of power. Now the game is seen as free, open and equal competition for wealth.

As a special form of money, capital is the right to mobilize resources and people into economic organization, with the aim of getting a greater portion of command in the process. Understanding money and capital as abstract but quantifiable right can help us to demystify our age of sanctified right in which ideologues are deliberately blind to the very obvious paradox: everybody has equal right, but our right to claim and command are disproportionally unequal.

Then we have the problem of what is the source of money, where commodity theory of money runs into short-circuit. In modern economic system, credit creation is the core of economic activities. Any monetary theory failing to put credit creation in the core of economic system would risk being charlatan economics. Credit creation is an institutional power to create credit (i.e. the right to claim wealth from society), out of…nowhere. Debt (the product of credit creation) represents a portion of right devoid of substantial value in itself when it is first generated. Then the debtor got to engage in economic activities, striving to create added value to endorse this empty sign of right with real value. Furthermore, debt bears interest. Not only does the debtor have to create value to substantiate the debt with value, he or she has to create greater value it represents to pay interest. Apart from the fundamental social antagonism of uneven distribution of wealth and power, interest-bearing credit creation is the source of unavoidable instability inherent in modern capitalism, especially financial capitalism.

Moreover, the next question is: why do credit-creating institutions have the right to create right (credit)? The answer is obvious: by power arrangement. Financial institutions are endorsed with the power by political regimes to create credit out of (almost) nothing. Orthodox ideologues argue it is the best arrangement available. But the crisis of 2008 makes us suspicious about it.

The power of capital and credit-creating institutions lies at the fact that in complex society (where capitalism is the apex) people are systematically deprived of the power (the means and knowledge) to organize themselves by cooperation. People do not have the vision to devise ways to create credit among themselves. It is a matter of lack of trust among atomized members in complex society where elites monopolize the process of credit/trust-building and therefore social cooperation, which is the foundation of their disproportional appropriation of power and wealth.

In a word, we should see money and capital as a special form of commons, which I call inverse commons.

Based on the above fundamentals, we may take a further step to conceptualize a Bioentropic model of economy:

Solar Energy

Unequal distribution of wealth; Alienation

Added Value

Products & Services

“Factors of Production”

Social Entropy

Energy

Waste

Biodiversity

Depletion

Materials

Entropy

The essay ends with brief discussions on various contemporary issues

1. Global Eco-deadlock : Top Elites indifferent to Ecological Crisis

2. Commercialization of Social Commons

3. Super Financial Capitalism: Two Poles of the Global Debt Empire

4. Return to Use Value or Expanding Interactive Value?

5. From Exploitation to Expulsion: the implication of universal automation

As conclusion, I present my vision of Historical Project X.

[The essay, over 40 pages, is open to download on Global University website.]