# « Labour in the Era of Fictitious Capital », by Norbert Trenkle

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**Labour in the Era of Fictitious Capital**

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1.

It is widely understood that social production in capitalist society takes the form of commodity production. That is why Marx quite rightly regarded the commodity as the "elementary form" of capitalist wealth and chose it as the analytical starting point for his critique of political economy. Economic theory has no idea at all what to do with this theoretical approach. It treats the notion that people mediate their sociality through the production and exchange of commodities as an anthropological truism. It never regards a human being as anything other than a potential private producer who manufactures things in order to exchange them with other private producers while always keeping his or her own particular interests in mind. The difference between wealth production in modern capitalist society and in traditional communities is therefore regarded as merely one of degree, with the caveat that the social division of labour is far more highly developed under modern capitalism due to technological advancements and the clever insight that people become more productive as they become more specialised.

This view is a simple projection that intrinsically legitimises capitalist relations as trans-historical. While commodities and money did exist in many pre-capitalist societies, their social significance was entirely different from that under capitalism. Interactions with commodities and money were always embedded in other forms of domination and social configurations that existed at the time (feudal dependency, traditional norms, patriarchal structures, religious belief systems, etc.), as Karl Polanyi has shown. By contrast, in capitalist society, commodities and money represent the universal form of wealth while simultaneously playing the role of social mediator. That is to say that individuals establish their relationships with one another and with the wealth they produce through commodities and money.

But when things are produced as commodities, the corresponding productive activities take on a very specific form. They are performed in a sphere apart from the diverse other social activities and they are subject to a specific instrumental logic, rationality, and time discipline. This common form has nothing to do with the particular content of the various activities. It can only be ascribed to the fact that they are performed for the purpose of commodity production. Based on this social structure, all these activities fall under a single rubric: labour.

Like the commodity, labour has a dual character. It is divided into a concrete side, which produces use value, and an abstract side, which produces value. Concrete labour is of interest to the commodity producer strictly insofar as he or she can only sell the produced commodity if it is of some use to the buyer. For the producer, use value is onl a means to an extrinsic end: the transformation of abstract labour, as embodied by the commodity, into money. This is because money is the *universal commodity* or, as Marx called it, the queen of commodities or the commodity to which all other commodities refer. Put another way, money represents the *abstract wealth* of capitalist society or its universally recognised wealth.

In this respect, only the abstract side of labour is universally socially accepted because it alone enters into social circulation as value (represented by money) and remains as such. The concrete side of work, by contrast, terminates with each sale because use value then disappears from social circulation: an object's utility becomes the buyer's private affair. The *material wealth* that takes the form of use value under the conditions of commodity production is therefore always particular.

So we can say not only that labour is a form of activity in which capitalist wealth is produced in its specifically dual form; furthermore, it also fulfils the core function of social mediation. Or, to put it more precisely, it is the abstract side of work that fulfils this function while the concrete side remains subordinate.

2.

This form of mediation by abstract labour embodies a fundamental contradiction in that everybody produces as a *private producer* according to his or her particular interests and is *socially* active in precisely that moment. The nature of this structure is such that this mediation cannot be conscious. Instead, it inevitably assumes a reified form of domination. As Marx wrote in his famous passage in the chapter on commodity fetishism:

*"As a general rule, articles of utility become commodities, only because they are products of the labour of private individuals or groups of individuals who carry on their work independently of each other. The sum total of the labour of all these private individuals forms the aggregate labour of society. Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer's labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers. To the latter, therefore, the relations connecting the labour of one individual with that of the rest appear not as direct social relations between individuals at work but as what they really are: material relations between persons and social relations between things (Capital, Vol. 1, Dover, 2011 83-84).*

Talk of private producers should not be understood as referring to small businesses and individual people who produce various products in order to then trade them for other products on the market. Most commodity producers under capitalism are of course companies that regard the valorisation of the capital they invest as the sold objective of production. The commodities they produce are merely a stepping-stone or a means to this end.

These companies are faced with the great mass of people who have only one commodity to sell: their labour power, which they have to sell on a permanent basis in order to survive. And as commodity owners, they are likewise socially engaged as private producers in pursuit of their particular goals of selling their own labour power for the highest possible price and prevailing in competition with other labour power sellers. From the perspective of the labour power seller, however, mediation by labour does not look quite the same as it does from the perspective of the capitalist company. While selling one's own commodity is also merely the means to an external end for the labour power seller, that end does not consist in valorising a particular sum of money but in securing one's own subsistence.

Social mediation by labour therefore has a distinct appearance from each of these perspectives. While for capital it appears directly in the form of the self-referential motion of capital, which Marx summarised in the well known formula M–C–M', from the perspective of a labour power seller it appears as an exchange motion C–M–C. The commodity of labour power is an object of exchange that he or she unloads on the market in order to obtain other commodities in return. In that process, money is only a means to this end, while in the former case it was an end unto itself. At first glance, this second motion corresponds to what Marx described as simple commodity exchange, however there is an important difference. Even if the individual labour power seller only uses his or her commodity for the purpose of exchanging it for consumable articles and even if no valorisation of the original value should occur, this act of exchange is nonetheless an integral component of the overall motion of capital valorisation, which always begins and ends with value in its tangible form: money. Only while an endless loop of value continues to feed back on itself can there be demand for labour power, which is the only commodity that can create more value than it needs for its own (re)production.

3.

At the same time, this distinct position within the process of social mediation by labour constitutes the conflict of interest between capital and those who sell their labour power. This conflict is *not*, as traditional Marxism has always claimed, inherently antagonistic in the sense of a fundamental incommensurability because it is based on a shared social mediation process. Nonetheless, it has often been fiercely fought out because, ultimately, the very survival of the owners of labour power is dependent on the conditions *under which* and the price *for which* they can sell their commodity while, on the other hand, the less capital has to pay for the commodity of labour power, the better it can achieve the end-in-itself of valorisation.

Until the 1970s, this conflict of interest (and therefore social mediation through labour) was characterised by an irresolvable mutual dependency: Capital needed labour in order to be able to valorise itself and labour power sellers needed functioning capital valorisation in order to sell their commodity.

That relationship qualitatively changed with the end of the Fordist post-war boom and the start of the Third Industrial Revolution. Massive displacement of labour from the core industrial sectors in the course of sweeping automation and the accompanying transnational reorganisation of production processes and commodity flows fundamentally and irreversibly weakened labour power sellers' negotiating position. In other words, with the implementation and universalization of new technologies based on microelectronics, the main productive force became the application of knowledge to production, giving capital a freer hand than ever before with respect to wage labour. But making large numbers of labour power sellers redundant also had consequences for capital. Given that capital valorisation is simply based on exploitation of labour power in commodity production on a massive scale, the start of the Third Industrial Revolution also marked the onset of a fundamental crisis.

This crisis is distinct from all previous large-scale capitalist crises in that it can no longer be overcome by accelerating the expansion of the industrial base. At the existing and continually increasing level of productivity, even developing new production sectors (flat-screen televisions or mobile phones, for example) do not create additional need for new labour power. At best they can slow the massive expulsion of living labour from production.

Yet to the extent that capitalist dynamics have been able to regain momentum, they have only done so by creating a new basis for capital accumulation. The production of value through the exploitation of labour has been replaced with the systematic anticipation of future value in the form of fictitious capital. Capital has undergone another enormous expansion on that basis – an expansion that is now increasingly reaching its limits and is above all linked with significant costs to society and to the sellers of labour power.

In order to understand this connection, we must first look more closely at the internal logic of fictitious capital.

4.

As previously stated, fictitious capital is anticipation of future value. But what exactly does that mean? And what are the consequences for the accumulation of capital? Let's begin with the first question.

In essence, fictitious capital arises whenever someone gives money to someone else in exchange for a title of ownership (a bond, share in a company, etc.) that represents a claim to that money and its augmentation (in the form of interest or dividends, for example). This process doubles the original sum: Now it exists twice over and can be used by both parties. The recipient can use the money to buy things, make investments, or acquire financial assets and at the same time it has become monetary capital that yields a regular profit for the one who gave the money in the first place.

But this monetary capital consists of nothing more than a documented claim representing the anticipation of future value. Whether or not that anticipation is covered only becomes clear in retrospect. If the sum concerned is invested in a production facility and if that investment is successful, its value will endure in the form of functioning capital and grow through the use of labour power in the process of commodity production. But if the investment should fail or if the loaned money should be spent on private or state consumption, then the claim to the original value will remain (for instance in the form of a credit agreement or a bond) even though the value itself has dissipated. In that case, the fictitious capital is not covered and must be replaced by creating new claims to future value (by issuing new bonds, for example) so that the monetary claim can be redeemed.

Anticipation of future value in the form of fictitious capital is a standard feature of capitalism. But it took on a completely different meaning over the course of the crisis in the wake of the Third Industrial Revolution. If the creation of fictitious capital once served to flank and support the process of capital valorisation (for instance through pre-financing large investments), now those roles have reversed because the basis for that process has fallen away. Capital accumulation is no longer significantly based on the exploitation of labour in the production of commodities like cars, hamburgers, and smartphones but on the massive emission of property titles like shares, bonds, and financial derivatives that represent claims to future value. As a result, fictitious capital itself has become the engine of capital accumulation while the production of commodities has been reduced to a dependent variable.

Of course, there is a critical distinction between this form of capital accumulation and the prior form of capitalist motion. Because it is based on the anticipation of value to be created in the future, it is a process of capital *accumulation* without capital *valorisation*. It is not based on the*present exploitation* of labour power in the process of producing value but on the *expectation* of future profits, which must ultimately be derived from additional exploitation of labour. But because this anticipation cannot be redeemed in light of the development of productive power, these claims must be renewed again and again and the anticipation of future value must be postponed further and further into the future. As a result, most financial property titles are subject to an exponentia growth imperative. That is why the value of capital consisting of financial assets surpassed that of manufactured and traded commodities many times over long ago. These "runaway financial markets" are often criticised in publi opinion as allegedly causing the crisis, but in fact, once the basis for valorisation was lost, this was the only way for capital accumulation to continue at all.

Nonetheless, the exponential-growth imperative marks a logical limit for the accumulation of fictitious capital: the economic activities that expectations of future profits refer to cannot be multiplied arbitrarily and one after another has proven to be a chimera (the new economy, the real estate boom, etc.). This limit can be deferred significantly, as a look back at the fictitious capital era of the past thirty-five years shows, however this postponement comes with constantly growing social costs that are increasingly unendurable. Earnings and wealth are concentrating in fewer and fewer hands, working and living conditions are increasingly precarious worldwide, and the remaining natural resources are being mercilessly squandered – just to keep capital accumulation in motion.

5.

At first glance, this would appear to be nothing new for capitalism. Indeed, a heedless attitude toward material living conditions and the physical world is an essential characteristic of a mode of production that is oriented to valorising value, which is to say increasing abstract wealth. But the transition to the era of fictitious capital is a qualitative leap (in the negative sense) in this respect as well.

For a better understanding of the reasons for this, we must first look at the consequences of displacing capital accumulation into the sphere of fictitious capital for the underlying form of social relations: mediation by labour. In connection with this, we have to ask how the relationship between the two sides of the capitalist form of wealth – abstract wealth and material wealth – have changed during that same process.

I have argued above that social mediation by labour was characterised by a mutual dependency of capital and labour until the 1970s. That is because capital, in its compulsion toward valorisation, was reliant on living labour while the owners of the commodity of labour power depended on successfully selling that very commodity for their survival. But that relationship has changed drastically in the era of fictitious capital. Not only has the Third Industrial Revolution made living labour redundant on a massive scale, but what is even more decisive is the fact that the emphasis of capital accumulation has shifted from the exploitation of labour in the process of producing commodities to the anticipation of future value. Consequently, capital's end-in-itself motion has become self-referential in a whole new way. Anticipation of future value that is capitalised and accumulated in the present remains immanent to the logic and the form of commodity production; it is achieved through the sale of a commodity, namely a title of property that certifies the claim to a specific sum of money and its augmentation. However, the sellers of these property titles are not workers selling the promise of rendered labour in ten or twenty years. It is instead the operatives of capital itself (primarily banks and other financial institutions) that sell one another these certified claims to future value and thereby generate and accumulate fictitious capital. In this respect, therefore, capital has become completely self-referential; the commodity that has the magic quality of augmenting capital comes about within the sphere of capital itself.

Conversely, however, that means that the sellers of labour power are by and large losing their bargaining power. Faced with advances in productivity and globalisation, not only can they be replaced at any time by machines or cheaper competition anywhere in the world, but much more critically their commodity is *no longer the basic commodity* of capital accumulation. This leaves us with a structural imbalance. For the great majority of the world's population, social mediation by labour remains pivotal inasmuch as they must sell their labour power or the products of their labour as a commodity here and now in order to be able to participate in society's wealth – which is to say in order to buy the articles of consumption that they need. Capital also continues to be based on social mediation by labour because it has by no means abandoned the world of commodity production. However, to the extent that capital accumulates through anticipation of*future* value production (which is to say it uses the results of potential future work in advance), it frees itself from dependency on the exploitation of present-day labour and the sellers of labour power.

6.

Of course, that does not mean that capital is no longer valorised in the process of producing commodities. Assuming as much would obviously be false in light of the enormous volume of commodities spilling out of supermarkets and department stores. Nonetheless, the relationship between the commodity production sector and the overall process of capital accumulation has changed. Where the production of material goods in the form of commodities was the decisive medium for augmenting capital in the past, it has now transformed into a dependent variable in the dynamics of fictitious capital. It is dependent because a self-sustaining dynamic of capital valorisation can no longer be boosted in the value-producing sectors through the ever-increasing displacement of labour. Instead, the production of commodities (in the sense of material goods for sale) can only continue if the equivalent value for the realisation of the value represented by these commodities is largely createc elsewhere, i.e., in the sphere of fictitious capital. This mechanism is the basis for the entire industrial boom in China and other "developing countries" as well as Germany's corresponding export business. We might therefore call it "induced value production". Indeed, this induced value production does fulfil an important systemic function. But that function does not consist of valorising capital but rather of providing the *imaginary* material that underpins financial markets' future expectations. This is because even if the anticipation of future value is not dependent on the exploitation of labour in the present, it is nonetheless based on the constant generation of *expectations* of profitable material production at a later date. In order to support these expectations, activity in the present-day real economy is indispensible. If that should stop, promises of future profit become implausible and the sale of property titles grinds to a halt. We can see this quite clearly in the slumps that continually recur during periods of crisis, when states and their central banks have to step in to restore confidence in the future (at ever-higher cost).

Incidentally, it makes no difference whether or not the induced activity in the real economy produces value in the narrow sense – which is to say, whether or not the application of labour power actually creates surplus value (as in industrial production, for example) or if the value that had already been produced is merely reallocated or recycled (as in great part of the service sector). Because this distinction does not exist at all in the current, superficial perception of economic circulation, it is not a factor in the generation of expectations either. The sole deciding factor is the fact that the promise of subsequent profits needs to have some point of reference in the real economy. This explains how such a large service sector has been able to arise worldwide without generating any surplus value, rendering it completely unsuited to form a basis for capitalist valorisation. But for the production of "fantasies of markets", as stock exchange parlance candidly calls it, growing ad revenues for Google and Facebook are no better than the manufacture of electric cars or wind turbines. Capitalisation of land or of property rights to knowledge (in the form of patents and licensing arrangements) on a massive scale is only possible due to the continuous influx of fictitious capital and *simultaneously* represents a central reference point for the anticipation of perpetually effervescent profits.

In any case, the means of "making money" are irrelevant from the perspective of individual capitals. That is why there are always enough investors around who will direct their money toward the real economy, provided only that the returns add up. However, that proviso embodies the direct dependence on the dynamics of fictitious capital because an investment can only be profitable if it yields approximately as much in profit as a corresponding investment in the financial markets with their enormously high profitability targets. Investments in the real economy are therefore subject to the dominance of fictitious capital and, of course, the resulting pressure is massively relayed downward, meaning first and foremost onto those who sell their labour power and the many small independent contractors but also onto state actors that are competing for tax revenues or working to attract business.

7.

We are now in a better position to understand why recklessness toward working and living conditions in the era of fictitious capital is taking on a new (negative) quality. While the production of material wealth until the end of Fordism was merely an extrinsic means to augment abstract wealth, it at least implied a direct (if instrumental) relationship. Market commodities inevitably represented past abstract labour and therefore value and surplus value. But when the systemic function of material wealth is reduced to providing imaginary material for the anticipation of future value, indifference toward the content, conditions, and consequences of that production intensifies to the extreme. The accumulation of abstract wealth is delinked from its material side to the greatest extent possible.

The continual destruction of both life's natural foundations and the social and cultural conditions of social coexistence is no longer merely a kind of collateral damage in capitalism's end-in-itself motion. Rather, it is becoming its essential content. In the most conspicuous embodiment of this dynamic, countries in crisis like Greece, Spain, and Portugal are being forced to shut down large segments of their social and health systems along with other public services in the name of the (notoriously illusory) expectation that the state will at some point be able to pay its debts. In these cases, the *outright destruction* of material wealth becomes the reference point for further accumulation of fictitious capital. Similarly, the present boom in raw materials is fundamentally based on anticipation of future scarcity. The attendant expectation of increasing prices permits massive amounts of fictitious capital to flow into that sector and occasionally even make very expensive (and extremely dangerous) technologies like fracking profitable in the short term.

The distribution of earnings and wealth is increasingly polarised on a global scale for the same structural reasons. Because labour power has lost its core significance as the fundamental commodity in capital's end-in-itself motion, the conditions of its sale are increasingly deteriorating. Meanwhile, capital is in the comfortable position of being able to independently "produce" the commodity necessary for capital accumulation in the form of claims to future value. In the process, it can rely on the active support of governments and central banks.

8.

These and other increasingly insupportable consequences of the dynamics of capitalist crisis have made criticising capitalism fashionable again. But much of that criticism inverts the problem, usually boiling down to insisting that money should “once again” serve people as a simple means of exchange rather than as an end in itself. From that perspective, capitalism’s end-in-itself motion looks like a simple quirk of an autonomous, self-perpetuating world of financial markets that is outwardly taking over society and that should therefore be abolished or at least severely curtailed.

This “critique” is based on an inversion of the conception of the capitalist mode of production mentioned at the outset. It claims that, “by its nature,” that mode of production is a highly differentiated way of producing goods for the benefit of humanity in which money is *really* no more than a tool to facilitate countless exchanges. This notion, which is part of the basic ideological hardware of the modern worldview, is not only presented in the opening chapters of economics textbooks, which always pretend that modern economics is no more than a globalised variant of an idyllic village community in which butchers, bakers, and tailors exchange their products with one another. It also takes a dangerous turn in the form of the anti-Semitic delusion of conniving, money-grubbing capital. And it is the leitmotiv of a putative “critique of capitalism” that dreams of a return to an idealised, regulated post-war market economy that never existed in the first place. This deliberately overlooks the fact that such a regression is completely impossible because the structural foundations for capital valorisation no longer exist. That view also pretends that Fordist capitalism was not based on the principle of capital valorisation but was instead a state regulated, market-based arrangement designed to generally provide society with useful products.

Another reason why this pseudo-critique has so much resonance today is because social mediation by labour has spread everywhere across the globe and, as has already been explained, from the perspective of the sellers of labour power, it looks like nothing more than an exchange relationship in which one commodity is given away in order to procure another. One way or another, the fact that this mode of existence presupposes capital’s end-in-itself motion is always suppressed. Thus, the traditional left has always preached the liberation *of* labour rather than liberation *from* labour. But since capital has essentially become more concerned with future labour and has largely been de-linked from the sellers of labour power and the material production of wealth, the utopia of a universal exchange economy or a regulated market economy without the burden of capital looks more like a model of social liberation than ever.

However, pursuit of that model means not only being taken in by an ideological chimera but also inevitably hitting a wall in terms of political practice. „To merely deny dependence on capital’s end-in-itself motion is to guarantee it that it will come surging back with the full force of its suppression.”

So instead of regressively romanticising the existing social mediation, it should be categorically challenged. As long as humans relate to one another through commodities and abstract labour, they cannot freely master their social circumstances. On the contrary, they will be ruled by those circumstances in reified form. That has always meant violence, misery, and domination, but amid the crisis of fictitious capital it means that the world will become a desert in the foreseeable future.

The only prospect for social emancipation is therefore the abolition of this form of mediation. The first steps toward that goal can and must be taken today. When confronting crisis management and capital’s crazed rampage, social achievements must be preserved and, wherever possible, the production of material wealth must be freed from its dependence on capital accumulation. The goal must be to build a broad new sector of social self-organisation that draws on all available potential productive power (meaning technology) to establish decentralised, globally networked structures. But above all, new forms of social mediation must be developed in which freely associated individuals consciously determine their own affairs.

Norbert Trenkle, 2015, Krisis

The author is a member of the editorial committee of the journal Krisis, a review devoted to critical theory that has been published since 1986. Other texts from Krisis in various languages may be found at : www.krisis.org.

Deutsch version, Die Arbeit in Zeiten des fiktiven Kapitals

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