

# MARX, MONEY AND CAPITAL

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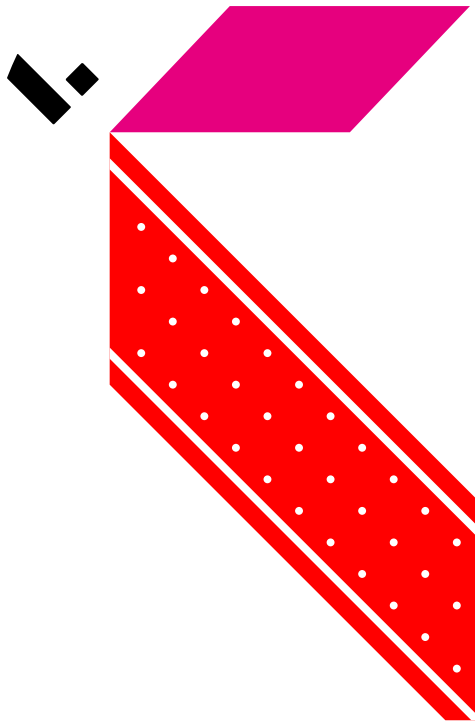
Interview with Lapo Berti  
economist, writer for the  
magazine "Primo Maggio"

PAOLO DAVOLI  
E LETIZIA RUSTICHELLI

RHIZONOMICS

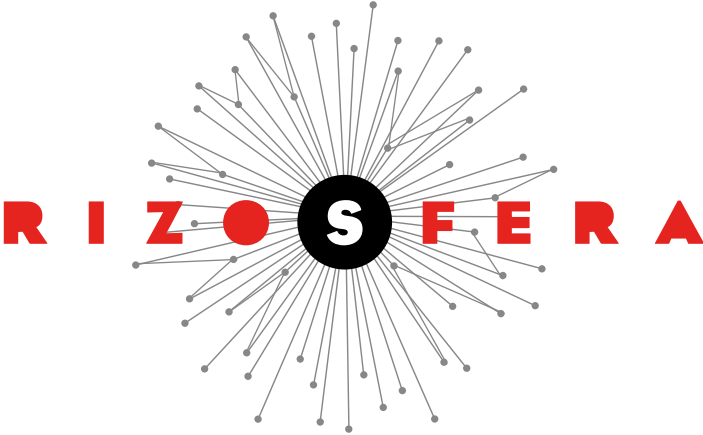






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# Marx, money and capital

in the debate that animated the Italian  
and French Marxist Left at the time of  
the *Anti-Œdipus*

Interview with Lapo Berti,  
economist, writer for the magazine “Primo Maggio”

Authors: Paolo Davoli e Letizia Rustichelli

The book series entitled «Rhizonomics» deals with accelerationist philosophy, in particular with the generalized economic perspective based on Nietzsche, Klossowski and Acéphale magazine, Deleuze and Guattari, Foucault, Lyotard and contemporary accelerationism.

## Issues:

RZN001 :: PAOLO DAVOLI E LETIZIA RUSTICHELLI, **Marx, Money, Capital.**  
Interview with Lapo Berti (december 2016)



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## Preface by Obsolete Capitalism

The interview with Lapo Berti that follows is part of the collective volume *Money, Revolution and Philosophy of the Future. Nietzsche and the Accelerationist politics in Deleuze, Foucault, Guattari and Klossowski* that will be published by Obsolete Capitalism Free Press in 2017.

Monetary research has represented in many different ways a common ground for many French Rhizospheric intellectuals throughout the 60s and 70s. They conceived money as the core instrument employed by advanced capitalist market economies to trigger the rapid and profound transformation which turned the Fordist industrial system into a new hi-tech financial global and delocalized form of production. The French Rhizosphere was not only able to understand the mutation of economic paradigm while this was still in progress, but it also conducted original and persuasive analyses of money starting from its early invention in Anatolia in the VIII century B.C. and in Ancient Greece in the VII and VI century B.C. Hence, according to

Rhizospheric thinkers, money is the chief accelerationist device deployed in the context «rapid domination» strategies conducted by modern global and financial market economies.

The reason of this interview lies here: Lapo Berti has been a leading figure in the context of Italian post-workerist monetary research. Thus, he experienced as an insider the movements, the crisis of Marxism in the 60s and 70s, as well as the lack within the Communist and Marxist cultural context of adequate analyses and agendas on “money”, and finally he lived through the years of monetarism.

For the purpose of our research on the birth of «Rhizonomics», it is important to reconstruct the cultural common ground – i.e. historical, economic, philosophical and political – of the 60s and 70s, which hosted the development of that critique of money, in its forms and functions, which marked the work of Michel Foucault (*The Order of Things*, *The Will to Knowledge*), Gilles Deleuze and Félix Guattari (*The Anti-Œdipus*) and Pierre Klossowski (*Living Currency*).

# Interview with Lapo Berti

*Authors: Paolo Davoli e Letizia Rustichelli*

1. *Could you describe for the contemporary public the intellectual and political context of the seventies, which constituted the framework of the debate on “money and capital” conducted by the Italian and French Marxist Left?*

The early seventies resulted to be an unstable period, socially, economically and politically. New protest movements were formed, on the one hand, by generations of students raised in the wealth of the economic miracle, and, on the other hand, by the working class who demanded greater access to that prosperity. On 15 August 1971, Nixon unilaterally ended the “gold standard”, the international monetary system established at Bretton Woods in July 1944 that had upheld the US global supremacy and had facilitated the development of international trade as well as global economic growth. In 1974, the first great oil shock hit, and capitalism faced the fact that it did not have direct control on the price of oil anymore, which was, and still is, the fuel of development. All these events naturally triggered a series of monetary disorders, namely the upsurge of inflation, the struggle in managing international trade, and the need to rethink national and global monetary policies.

With regard to social movements, there was an abundance of attempts to shape new organizational solutions capable of projecting them into the contest for power. However, they all either replicated past experiences buried in history, or ventured in proactive forward evasions directed towards an unknown future. Especially in Italy, the atmosphere within extra-parliamentary movements was unusual, or at least that is what I perceived. The workerist, or early workerist, period had ended. After the shockingly premeditated closure of *Classe Operaia* in 1966, those who had taken part in that experience fruitfully pursued different paths and gave birth to the first organizational experiments. Historical circumstances unfolded differently from those that favored the development of early workerism. Some of us, both inside and outside these organisations, were confused when faced with the collapse of the innovative analytical and theoretical activism that counterbalanced blind and violent extremism. The kind of activism practiced by the movements necessarily implied a simplification of concepts and, partly, the restoration of attitudes and labels belonging to the Communist political culture, which we believed had to be overcome. The topic of the organisation of movements was at the center of the debate. And proactive straining did not go missing.

In such context, the project of a new magazine was conceived, mainly thanks to the input of Sergio Bologna. It was titled “Primo Maggio”, and its aim was to anchor the political debate to the material experience of working-class struggle, while trying

to identify throughout history expressions of that working-class independence inherited from early workerism. Additionally, the magazine had a radical and innovative scientific agenda, whose main goal was to evoke past experiences of struggle in the most authentic way, that is, without any ideological filter and with the help of the testimonies of those who lived through them. Finally, the magazine was inspired to innovate methodologies in various fields, from economic history to politics. At that time, many, myself included, were worried that a proactive radicalization of social struggle could dangerously go out of control. So, for those, the magazine constituted an important anchor, a space of freedom shielded from the excessive pressures exercised by the surrounding context. It represented an attempt to escape unpersuasive, simplistic and perilous choices, and to create a forum where to elaborate autonomously topics that were completely foreign to the elemental and improvised movement culture. The boundaries of Marxist orthodoxy and its refusal to measure itself with any other perspective or analysis had imposed a shortsighted view of reality. Such awareness was deep and, I believe, it caused great concern among those who took part more actively in the preliminary theoretical conception of the magazine – it certainly did in myself. Militants were culturally formed on the sacred volumes of Marxism, which were consulted compulsively despite the poor theoretical quality of many of them, except obviously from Lenin's and Marx's ones. Hence, an inclination towards orthodoxy was inevitable, because those

texts were the only benchmark they had. This condition generated in some a sense of suffocation, which, at least in my case, was alleviated only by the innovative experience of the early work-ism. We felt a pressing need to measure ourselves with other streams of thought and even to snoop in the opposing field. For example, in those years I started an intense study of the monetarist literature and I found it much more stimulating than the dull repetition of Marxist formulas. The experiences of the “Quaderni Rossi” and “Classe Operaia” all contributed to create the right circumstances for this change, thanks to their propensity to analyze the present and to their attempt to revitalize the reading of Marxist texts by blowing up the sclerotic orthodoxy.

In “Primo Maggio” the debate around money was started again by Sergio Bologna. With the aim of providing a powerful stimulus to rethink the relationship between money and capitalist crises, he had the clever idea to propose again the almost-unknown texts that Marx wrote on the 1858 crisis. At the time I believed that the theoretical instruments that the Left was using to examine the crisis underway were completely insufficient and obsolete. Additionally, I was persuaded that the key to elaborate a new approach to capitalist crises was precisely a more realistic analysis of the mechanisms of the monetary system and of its role within the capitalist system. Hence, when I was asked to participate in a collective work aimed at examining in greater depth these topics, I accepted enthusiastically. So, within “Primo Maggio”, we gave birth to a very creative and open “group



on money” where research projects met with political frustrations. Everyone was trying to gather and present to the group what seemed the most innovative and promising perspectives, which often were nothing more than raw hints and intuitions that, nonetheless, had the advantage of being the product of a disillusioned observation of social reality and struggle dynamics. The benchmark we kept in mind was the one of a more effective representation of the economic processes underway, conceived as a manifestation of the crisis that was shaking the capitalist cosmos and whose fault line coincided with the comparison between the crisis itself and the social struggle of the previous years.

To focus on monetary dynamics and on monetary politics represented a significant shift because the official Marxist perspective had taught us, firstly, to observe only the production sphere and, secondly, to analyze the relationship between production forces, the conflicts inherent to these relationships, in other words the subordination of labour to capital. We were not abandoning that ground but it was becoming clear that social struggle went beyond those boundaries, although such ground still constituted the epicenter of social conflict. It was necessary to look beyond towards the conglomerate of factors and practices that Foucault (1978) would later call ‘governmentality’, because we were realizing that there were other instruments and powers outside workerist and student struggles. It was, thus, important and urgent to understand their mechanisms in order

to reach a more efficient representation of the crisis and of its dynamics.

2. *What was your role inside “Primo Maggio”? How did the debate with Suzanne de Brunhoff start and develop?*

It is not up to me to define the role I had in “Primo Maggio”. Analyses and judgments on that experience have already been gathered (Bologna 1993; Bermani 2010; Karl Heinz Roth and Stefano Lucarelli *ibid.*; Steve Wright 2013; Lucarelli 2013). Since I was already conducting research in the field of monetary economics, I was entrusted with the task of stimulate and coordinate the work of the group, but the actual effort was very collective. I was responsible, in particular, for drafting an early summary of the results of such work, clarifying also the perspective which the group was taking and arguing from.

*Denaro come capitale* (“Primo Maggio”, 3-4 1974), conscious of the limits of its theoretical elaboration, represented a kind of agenda, if not a manifesto, which was built on two main perspectives that were to become the pillars of our work. On the one hand, the effort and the commitment to restart from reality, from an analysis of the processes underway free from preconceptions. On the other hand, the ambition of testing the validity of the Marxian approach by remaining anchored to the facts and not by bending them in favour of a certain perspective – as the Marxist orthodoxy had often done. Naturally, these

two pillars were closely connected to each other. The new representation of the capitalist crisis was emerging from a close confrontation between Marxian standpoints and real processes, as well as, as far as I am concerned, instruments of analysis that belonged to the opposing field, that is, monetarism. We trusted, first, that the function and the *modus operandi* of money had changed deeply, particularly as the international monetary system of pegged rates collapsed. Second, we thought that the boundaries of monetary policy had expanded enormously, that is, there was much more space to maneuver and manipulate money for political ends. More precisely, since money was then free from any direct or indirect conversion to a physically definite value, we believed that it had become a completely maneuverable variable and that such maneuverability was used as one of the main instruments of governance of the capitalist economy. Money had become an institution with a high political value. After effectively being transformed into an instrument of government, it was thus inevitable for monetary policy to directly intervene in the power struggle between social classes. This was the new reality of conflict that was waiting to be unveiled, and this was the project where we placed our efforts. We focused our attention on the political governance of money, which was regarded as the main tool of capitalist control over the economy as well as over those social conflicts capable of affecting negatively the process of industrial production and the trends of profit. In other words, monetary policy as an instrument of

control over the distribution of wealth capable of protecting the different degrees of profit in favor of firms. This was the intellectual adventure that we felt part of.

*Denaro come capitale* (“Money as capital”) constituted an attempt to build the foundations of this theoretical perspective; the following issue, which I wrote – *Inflazione e recessione: la politica della Banca d’Italia (1969-1974)* (“Inflation and recession: the policies of Banca d’Italia 1969-1974”) – tried to apply this theoretical framework to the Italian case. Apparently, this last essay raised surprise and bewilderment inside Banca d’Italia among those who paid attention to the debate within the Left, up to the point that some thought that the text came in fact from inside the central bank. That was a clear sign that we had hit the mark and had stung! Actually, the article had a really ambitious goal, it intended to show with a relevant case study that the governance of monetary flows was not a technical task at all, but rather it had profound political significance. Such analytical standpoint was made possible by the fact that we had understood, first of all, that money was not neutral with respect to the economic production processes, as mainstream economics argued. Instead, money was maneuverable and maneuvered as an instrument for intervening in the repartition of revenue between wages and profits, which at that time represented the core of social conflict. We had understood that central banks had the power to determine how and how much money would enter the system. Thanks to this leverage it was able to interfere in the level of

relative prices of, for example, goods and labor, and so it could shift social balances and alleviate the pressure of wage claims. Such was the news we wanted to bring in the consideration of monetary phenomena, but it bore explosive theoretical and political implications that remained mostly at an embryonic stage and were left unspoken.

In the following issues, more articles by the group on money were published, in particular one written by Franco Gori on public expenditure and another by Mario Zanzani on inflation. They both represented probing in fields that had remained unexplored by the group. They accounted for the significant amount of theories available at the time, but they were not yet the chapters of an organic and methodical representation of the economic environment that we were facing. That was a finish line which we were far away from, and in the following years for many reasons nobody resumed and continued such work. The opportunity to bring to the next stage the development of a Marxian-based theory of capitalism was left in swaddling clothes. Later, there have been sporadic attempts to resume it but the work was at that point buried inside academic lecture halls. The biting air of social movements that inspired it had passed.

The short argument with Suzanne de Brunhoff began after a seminar on “The Marxist discourse on money in light of the monetary crisis” held at the Feltrinelli Foundation between 11 and 13 April 1975. I could not attend (I lived in Florence at

the time); but there was Jochen Reiche, a German economist who was in contact with Sergio Bologna. De Brunhoff was an orthodox Marxist, though not dogmatic. She was developing and enriching the Marxian theory of money, applying it to the analysis of monetary policy but maintaining a rigorously Marxian stance. She was not blind to change nor was she avoiding innovation, but all her work was aimed at defending the theory of value as stronghold of the Marxian analysis of capitalism. In an article published on the May-June 1975 issue of “Politique aujourd’hui”, De Brunhoff targeted pitilessly the weaknesses and the omissions of *Denaro come capitale* and critiqued a standpoint that, despite its shortcomings, she still considered evidently interesting, stimulating and worth critiquing. However, De Brunhoff did not tackle the core of our argument, that is, the maneuverability and political value of money. She addressed to us two main points of criticism. On the one hand, she reproached us for not elaborating sufficiently the notion of money that we employed in our argument. On the other hand, she accused us of being more or less conscious victims of a Keynesian or monetarist conception, which was an insult for us. With our young self-confidence, we replied to her that the color of the cat was not important as far as it was able to catch the rats. In other words, our chief concern was not to defend the Marxian orthodoxy and to remain untarnished by any bourgeois contaminations. We felt free to use the most appropriate tools wherever we found them, because the main goal was to have access

to a set of instruments which could grasp reality and to provide the protagonists of the social struggle with ideas capable of generating action. It was an attempt to link theory and practice, as many 1968 movements had tried to do, which would later draw significant criticism from intellectuals who rejected practice.

For what concerns the notion of money, it is true that we had not elaborated a complete and original definition. However, we felt that we had isolated what really mattered and what did not figure in any contemporary theory of money, that is, that money is an institution which is part of the governance of society. And, at that moment, this intuition was enough for us.

*3. Which limits did you identify in Marx and in his theory of money? Which were, instead, the official positions of the European Marxist movement? How could it happen that nobody noticed that capitalism was crucially switching from production to finance, and from human to machinic surplus value?*

The condition of Marxism at that time was averagely miserable. A boundless and suffocating pedantry made of repetitive and self-referential remarks and comments. Correctness was the premise of any analysis, and not its result. Facts were supposed to adapt themselves to theory. And this situation was common to France, Germany and Italy, except for the moderately heretical experience of the first workerism. Even when there were intellectuals attempting to renew the Marxist perspective, such

as Della Volpe in Italy and Althusser in France, the discourse would remain confined locally and would not be relayed to the external world, incapable of measuring itself with the debates that happened outside the Marxist perimeter. Such orientation, which rejected any kind of interaction, meant an explicit or implicit presumption of scientific superiority by the Marxist stance.

As far as I was concerned, after spending three years reading again and again in Italian, German and French the sacred texts of Marxism from the first two volumes of Maximilien Rubel's notorious edition, Marxist clothes had become too tight and I kept trying to free myself from them. I believed that I had learnt all that mattered of Marxism, and all that was still alive, and I was ready to embark myself onto more uncertain and less reassuring intellectual endeavors. More specifically, I thought that I had developed a method of economic analysis that could not be secluded inside imposed boundaries and that could not renounce to consider economic facts within their political context, identifying their implications for the government of society. The trigger was pulled by the social movements of the late sixties together with the following crisis.

I was persuaded that orthodox Marxism was not able anymore to grasp and theoretically elaborate the mutations of capitalism. The peak in inflation of the early seventies and the end of the Bretton Woods system inevitably drew a great deal of attention onto monetary processes in general, and, in particular, onto the evolution of the repayment system as well as onto the cen-



tralization of monetary governance, both nationally and internationally. Nowadays it is difficult to understand the shocking effect that those events had on the Glorious Thirty and on the incredible post-war development and which seemed to open a new volatile capitalist cycle, and thus new hope for those who believed in a possible overcoming of that capitalist system. We had assisted to widespread struggles and wage claims, and it was easy to recognize a link between the two. However, this sparked questions that at the time remained unanswered. Marxism, even in its most recent developments, did not seem able to provide useful interpretations nor useful instruments of analysis. We had furiously perused the pages of the *Grundrisse* dedicated to money, and in particular money as capital (35-162), as well as the drafts of section V book III on credit, monetary capital and interest rate. But, even there, we found more questions than answers. If we wanted to fully understand the transformations underway, we had to escape past intellectual cages, even those built by Karl Marx.

At the time, that is, more than forty years ago, perhaps it was not possible to foresee the developments that fiat money would trigger. How it would lead towards a progressive increase in the space occupied by finance and, in particular, towards a growing leverage of finance on economics. At the time, it was impossible to envisage the birth of a global financial oligarchy as the one we are facing today. Nonetheless we started to lay the foundations for a theoretical framework that could allow us to analyze

and understand these developments. Its point of strength was an interdisciplinary analysis, which did not include only economics but also politics, reinstating the original concept of “political economy” that had been clouded by the technocratic excess of contemporary economics. The majority of intellectuals of the Left, who measured themselves on Marxian texts, dedicated itself to defending the theory of labor-value. In fact, they rightly believed that, if the validity of that theory had fallen, the whole Marxian theoretical architecture would have collapsed since it was founded on the denunciation of pillaging by the capitalist class of surplus, which corresponded in fact to unpaid work. However, according to us, the conservation of the theory of labor-value as the core of the Marxian interpretation of the capitalist system prevents us from grasp the essence and the function of money in modern capitalism. The Marxian standpoint, despite some brilliant intuitions, still remained anchored to the concept of money as a good, which was tightly linked to the theory of labor-value. We did not hesitate to elaborate a broader and more advanced view suited for drawing together the critical instance of the theory of labor-value and the modern, though embryonic, interpretation of monetary factors, which we deemed an integral and crucial part of the capitalist system. There was a compelling need to find adequate instruments of analysis in order to penetrate the new capitalist reality and provide social movements with a kind of knowledge able to generate action.

The analysis of monetary phenomena conducted inside “Primo Maggio” represented an entirely Italian experience. The reason lay probably in the strength reached by social movements and in pressing demand for a new theory, for a fresh idea, which could tackle facts and make them understandable to a wider public not accustomed to theoretical speculations. I do not hold account of a similar vivacity in research anywhere else. This, probably, was still part of what we had inherited from the first workerism, not to fear to be heretic, to always look away from the orthodox view with an eye close to the dynamics of social conflict. In those years, in those countries, where there were powerful communist parties, Marxism was a suffocating orthodoxy, whose ministers were entangled in contorted discussions on irrelevant matters. Interpretation prevailed on analysis. Neither the emerging movements were free from the attraction of orthodoxy, behind which they hid their inability to elaborate issues beyond the daily dimension.

4. *From today’s perspective, how would you evaluate the debate of those years? Did it help the Left to make its critique of capitalism more accurate, or do you deem it a missed opportunity? Isn’t money, and finance in particular, still today the “bête noir” of the Left?*

Honestly, I would argue that it was nothing but an *overture*. It was the right direction, but we moved only the first few steps, uncertain and confused. We understood two basic facts, which

were far from being shared within the Left, neither in Italy nor anywhere else. On the one hand, we understood that the nature of money had definitely changed and that such transformation had introduced new and previously unthinkable tools to intervene in the economy. Powerful instruments which could act upon the distribution of wealth, one of the most delicate aspects of society, and therefore had significant political leverage. Facts widely demonstrated that we were right. Monetary policy, tied to the formal and substantial independence of central banks, would become the cornerstone of a new way of government. On the other hand, by studying the *modus operandi* of money, we understood that it manifested one the many unresolved issues of modern societies, that is, economic power. In fact, this kind of influence was free to act boundlessly, without having to respect any regulation nor limit to which, instead, modern constitutions have subjected other fundamental powers of society. In the architecture of equilibrium and separation of powers that, despite its shortcomings, has made possible to build democratic societies, economic power was absent. If we had gone further down that path, if we had elaborated further that analysis, perhaps we would not have been caught unarmed by the rapid spread of economic influence on global scale. We could have built embankments of full awareness capable of containing the colonization of politics operated by a deeply oligarchic power, as the economic and, in particular, the financial and banking ones are. Perhaps, we would have noticed earlier that, deprived

of all powers, our democracies would have soon gone adrift together with the intermediate institutions that constituted their flesh and blood. Perhaps, we would not have been surprised and defeated by the spread of Reaganism and Thatcherism.

But none of this happened. The orthodox Left was only slightly touched by these themes, and, when it faced them, it did so inside the tight boundaries of academic doctrine. It did not face the challenge to create a theory that could substantially turn the attention towards real economic processes, welcoming that interdisciplinary approach which the most important economists of the century, Keynes and Schumpeter, together with some anthropologists, like Polanyi, had hinted at.

As we said, we had made an attempt to analyze monetary phenomena from a new theoretical perspective capable of accounting for the centrality that the monetary dimension was assuming in the metamorphosis of capitalism underway since the early seventies. Such attempt was then independently resumed by a group of discussion created and conducted by one of the most original Italian economists, Augusto Graziani. He invited me to join the group during a tumultuous movement convention in Naples, where people (me included) rambled on money showing appreciation for the intuitions that had emerged from the “group on money” of “Primo Maggio”. Another exponent of the group, author of important elaborations in the field of monetary theory, was Marcello Messori, who was also invited by Graziani. So in the end I was the only non-academic member, but I

still joined the prestigious group, which produced a significant amount of work in its attempt to formulate a monetary theory of production and to revamp more or less known authors, who had contributed importantly and originally to the construction of monetary theory (cf. the series “Economia Monetaria”, edited by Garzanti and published by Edizioni Scientifiche Italiane between 1987 and 1999). However, in that group, given the prevalent academic imprint, there was not the same political aspiration that had animated the work of “Primo Maggio”. That ambition had been crucial in the research of a link between the management of monetary policy and the dynamics of power relations, which in the economic field project themselves on all movements and conflicts of society. This area, despite some rare intrusions, remained mostly unexplored, even though most recently it has been populated by wizards and charlatans, who are manifestations of monetary populism, a particularly insidious species of this cancer of democracy.

Nowadays, the perspective that we envisaged in the early seventies has been fully realized. The dominance of money as an instrument of government of economic life has reached an unbelievable and unthinkable level and dimension. But now that world is present and, once again, we ought to understand it, unveil its features, functions, and *modus operandi*. At the beginning we can stay simple, and even sound banal.

The mechanism that moves the evolution of the monetary

cosmos and dictates its passages lies, I believe, in the constant need of capitalism to expand the set of payment methods in order to generate new productive combinations. Its ideal form is the one we face today: a system able to produce a virtually unlimited amount of means of payment in various forms (different and not exchangeable). It seems like the capitalist Eldorado is at hand. Central banks can issue liquidity at no significant costs. The banking system does the rest with its financial leverage. The expansion of the financial system attempts to deal with the increasing amount of risk connected to this way of creating means of payment. But here is where things get more complicated. The system of means of payment has mutated in a way that old analytical instruments are not able to comprehend. The amount of means of payment available today is increasingly in the form of debit. This is not itself a new phenomenon, though rarely observed, but today it assumes completely new forms and triggers unpredictable consequences. Money, the means of payment, is generated today as a debit with a public or private subject. Every time that new means of payment enter the system, a new subject is in debt. However, monetary flows hide this characteristic, which seems to obliterate itself. Means of payment take on a life of their own. Debts, which constitutionally always bear a due date that defines the duration of the contract, tend to become permanent and mutate their nature. They appear to imitate certain social entities which after long evolutions and transformations return to their origin, manifesting their true essence cleared

from any unnecessary element. In fact, they seem to regain the layout that, according to anthropologists, they had in prehistoric societies when they represented the outline of individual existence itself, because life was perceived as a debt taken with the divinity which had to be periodically renewed through the institution of animal or human sacrifice. Equivalently, nowadays a debt with an earthly institution becomes permanent and could be regarded as the general condition of social reproduction, with the periodic payment of a tribute, i.e. an interest, that keeps the debt alive. Nobody will ever repay it, but its continuity imposes the conditions to which all members of society, bound by such absolute relationship of subjection, must conform. This is the true enigma that hides behind money, and that today for the first time manifests itself in all its brutal power.

The systems of payment in force today, both nationally and internationally, descend from two fundamental circumstances shaped by history. On the one hand, the unpegging of what today is the international currency, the dollar, from any material value determined by a condition of paucity – gold. This had the effect of transforming means of payment (money) in an institution completely founded on conventionality and faith, whose value derived from the fact of being monopolistically administered by one or few institutions delegated by the state. We passed from money as a good to money as debt. On the other hand, the separation of the activities of issuing money and of government, with the former being exclusively assigned to an autonomous



and independent entity – central banks – completely relieved from the political pressure exercised by government, at least in theory. It follows that, today, means of payment are entirely produced by the banking system, and they formally represent a debt that ought to be repaid to the lender. We must not forget that historically the development of a monetary system and of a system of payments has always been emanated from the top, from the state or from important merchants or capitalists.

It is renown ever since the twenties of the last century that central banks create money from nothing and that money represents the offset of a debt. For example, it was proclaimed in a US Congress Commission by a notorious governor of the Federal Reserve, Marriner Eccles, in September 1941. In order to answer a request to explain where the bank found the money to buy state bonds, Eccles affirmed: “We created it ... out of the right to issue credit money ... That is what our money system is. If there were no debts in our money system, there wouldn’t be any money” (translated from the Italian, Griffin 2010, 187-88). However, at the time the dollar was still pegged to gold, even after the 40% devaluation operated by Roosevelt in 1934. The target of 35\$ per ounce of gold constituted a tie that prevented the American central bank from using indiscriminately and boundlessly the power of creating and issuing money.

As I said, the main characteristic of the present state of things, which lasts ever since that decisive 15 August 1971, is that even the last tie to the issuing of money, i.e. creating means of pay-

ment, has fallen. Central banks are virtually able to issue on the market all the liquidity they want. Quantitative Easing is the tool that they currently use to do so. Markets are flooded with cash at extremely low costs for the beneficiaries, mostly commercial banks. This unnecessary expansion in the offer of means of payment embodies the conceptual origin of the wide and dangerous gap that exists between the world of firms producing goods and services, and the world of banks and finance. The device that regulates the issue of means of payment according to the needs of production and investment was not in place anymore. The banking system generated flows of means of payment that the production sphere had not required and could not utilize. These were redirected towards financial purposes and inflated excessively the financial space multiplying infinitely the tools able to absorb, at least in theory, the risks related to such an expansion of financial leverage.

Meanwhile, the landscape of means of payment has been greatly enriched and articulated. Local currencies, parallel currencies and telephonic currencies (as the Kenyan M-Pesa) have proliferated. The IT revolution has brought new technologies that, when applied to the system of payments, produced highly innovative means of payment, such as digital currencies and crypto-currencies, which have opened scenarios where it is still difficult and dangerous to guess future developments. The most notorious is *Bitcoin*, an instrument that presents unusual features. First of all, it is a private means of payment, which does

not envisage any intervention by the state. It does not have any commercial bank behind it, and, most importantly, it does not have a centralized compensation system, which is the most common characteristic of modern payment systems. It is generated by a network of participants that has access to a peer-to-peer system built on complex algorithms and that employs an equally complex technology called 'blockchain' or 'distributed ledger technology'. It does not have its own accounting unit, and it does not make any reference to a legal currency, although it is convertible to it. Finally, together with gold, it is the only means of payment that does not embody the offset of a debt. It exists *per se* and has a value that rests on its assumed universal acceptance. It appears to be the quintessence of the means of payment. Someone dares to argue or to wish that it will replace the present top-down system of payments based on central banks. However, at the moment, it covers a very restricted area and even has a cap for the creation of means of payment (*bitcoins*), imitating the gold monetary system. It is more likely that it will live beside the traditional payment system according to an old logic of integration. At present, many banks are considering the possibility of adopting the 'distributed ledger' technology in order to make their payment system and, in particular, their financial transactions more efficient and less costly. In reality, nobody at the moment is able to foresee how the 'blockchain' technology will evolve in the monetary domain and how it will interact with the contemporary monetary and financial system.

The most probable outcome is ‘blockchain’ technology, which supports *bitcoin* and other digital currencies, will be employed separately from the traditional banking system with the aim of introducing a new and more efficient system of management of financial and banking transactions.

In order to fully understand the capacity of the payment system management in our society, we should consider that in a developed monetary economy, as the capitalist one, it is not possible to access any good or service unless we possess a certain amount of means of payment. Indeed, we should always remember that an economic system entirely founded on the circulation of cash, as the one we live in, is oriented towards the spread of capitalism, and capitalism itself has shaped it based on its expansionary needs. The diaphragm that money places between human needs and goods constitutes a fundamental premise to the development of a capitalist economy. In other words, the requirement to use means of payment to satisfy our necessities embodies the bedrock of capitalist social relations. In fact, it compels the majority of individuals to pawn the most distinctive and fundamental aspect of their individual personality, i.e. their working capacity, in order to obtain access to the domain of goods and services, that is, to the means of payment necessary to live. From the perspective of a capitalist entrepreneur, money means capital, that is, the necessary condition for maintaining its status of capitalist, which in the domain of means of production is expressed as “purchasing power”. Instead, from the

perspective of all other individuals, money is the necessary condition to live, i.e. to exist as consumers able to purchase those goods and services necessary to survive. In this sense, money is the pillar of the capitalist order, the objectifying and coercive factor that forces society as a whole to be subjected to capitalist production relations.

The institutional framework of the economy and of society responds to the need to regulate the ways in which means of payment are acquired. As any domain of social life, the economy too functions based on demands, impulses, incentives and disincentives. The way in which these factors are governed determines the prevailing economic style. Indeed, even within capitalism there are several different economic styles. Nonetheless, capitalism is generally shaped by individualistic impulses generated by secular processes that have formed the individual as bearer of subjective freedoms, liberated from the medieval hierarchical order. At present, our society has historically evolved up to the point where the existence of a formally free individual appears to be inseparable from the capitalist context within which the anthropological transformation has happened.

As in all periods of crisis – in particular, of financial crisis – money returns to fascinate minds and stimulate imagination, like all incomprehensible phenomena. Nowadays, the Left would be theoretically better equipped, because, after the crisis of the seventies, several fine and detailed theories have been elaborated on finance's and money's role in triggering capitalist crises. One

exemplary name is Hyman Minsky, who, nevertheless, did not get the universal recognition that he should have received, and he is known only by a limited circle of leftist economists. In Italy, we must recall once again Augusto Graziani, who attempted to elaborate a monetary theory of production. But this stimulus rapidly exhausted its innovative impulse and was soon abandoned. It seems to me that generally what we regard as leftist culture lacks a vision capable of sustaining a thorough analysis of the present, and not just in Italy. This is particularly evident in the deep understanding of capitalist monetary economics and of its financial core. After the crisis of Keynesianism in the seventies, the intellectual environment lacked, for reasons that remain unexplored, the capacity to progress. It failed to measure itself with the issues of a society surrounded by independent global markets, where finance has acquired a dominant position reshaping the system of governance worldwide. The proof is that today nothing has been done other than resuming the old and rusty Keynesian tools in front of a crisis that sets new tough challenges.

More than forty years have passed since the rudimentary and basic elaborations of the “group on money” of “*Primo Maggio*”, but I believe that those demands have not lost their strength and their significance. We still necessitate an analysis capable of distinguishing among the economic monetary and financial processes of capitalism the traces of what, at the time, we named “capitalist control”, which today would probably fall under the

Foucaultian name of 'neoliberal governmentality'. In the contemporary global economy, money and finance are much more complex and articulated than in the past. In order to grasp their trends, outcomes and critical factors we ought to employ analytical instruments equally articulated. But it will be difficult, if not impossible, to reach our target without a socially oriented research, able to guide us interpreting political premises, models of government and underlying power networks. It comes to my mind the motto of the notorious film *All the President's Men*: "Follow the money". We should say: "Follow the power". However, today more than ever, these two elements are tightly connected, causing issues which democracies are not equipped to tackle, and to which they risk to yield. The plot of finance and political power has generated a new form of governmentality which we ought to analyze without abandoning ourselves to the rhetoric of the offended, hurt and abandoned democracy.

Nowadays, we are facing private financial institutions which globally govern monetary flows comparable to the entire revenue of several countries. We know, even though we do not see it, that a shadow banking system exists, which operates worldwide and which has overcome the official banking system. We know that these two systems are closely linked, as public and private finance across the world. At the core of such system of systems there are the most developed global economies and their central banks, which operate with complete independence and are able to issue any amount of cash, contributing to influence and

determine government policies. The private banking and financial system can do the same. Additionally, above all, we are aware that all the decisions taken inside these circles and emanated from them are absolutely isolated from any kind of democratic influence. This is the true issue. This is the hydra that we must try to kill before its hundred heads and its hundred mouths swallow the whole world, as they have already partially done. The competition of parallel and alternative currencies as well as, to a smaller extent, of digital and crypto-currencies is useful but it will not be enough. In other words, innovation in payment technologies will not kill the hydra. It is certainly important because it reduces the gap between concrete means of payment and the essence of money, that is, unit of measurement of social accounting. Some advancements, such as digital currencies, can facilitate the evolution process towards a system of payments more independent from central banks. Parallel currencies can create space for systems of payment territorially limited, which would favour and strengthen cooperation between individuals. Nevertheless, these innovations alone will not suffice to subdue or eliminate the capitalist core of contemporary systems of payment. Only a boost in democracies' awareness, as it is happening for the environment, can guide towards a reformulation of basic laws that may regulate the separation and the conduct of those powers governing society, including this time the economic power too, which at the moment is free from any bound or regulation. The solution can only be political. I believe that



we need a new social contract, perhaps even a new fundamental law, which can establish the boundaries within which wealth and economic power are compatible with society's stability and cohesion. No country can do this alone, it must be done globally. If we are unable to tackle the issue under such terms, we will assist to the downfall that has been threatening us for past few years, and financial oligarchies will determine future possible developments through the military branches of governments and politics.

Crowds of charlatans rumble that money is simply representation, at most a digital representation, and that it can be created theoretically free of charge. They proclaim that everyone could and should issue himself the amount of money he needs, but they demonstrate that they have understood nothing of monetary phenomena. In particular, they have not appreciated that money is not simply a material instrument to operate exchanges and that it reflects a specific configuration in social relations. Hence, to change monetary regime means to transform the way in which the socio-economic system functions. Money is an institution that makes sense and that has its own function only within a determined social arrangement, which, in turn, requires its existence and employs it to guarantee the reproduction of society. We should always remember that, if money and means of payment have truly always existed, then a system entirely based on and depending from monetary flows can only be formed with the rise of capitalism. The system of payments that allows

for the acquisition of goods and services is consubstantial with capitalism. The former entails the latter, and presumably *simul stabunt vel simul cadent*<sup>1</sup>.

The perspective of establishing parallel monetary regimes in economic spaces independent from capitalist logics is, at the moment, completely deceptive. The same is true for the aspiration to overcome the system of payments organised around central banks through peer-to-peer systems, such as bitcoin, whose most recent development should make us think.

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<sup>1</sup> “They will either stand together, or fall together” (attributed to Pope Pius XI).



# Biographies

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He's an Italian economist. Former member of the Italian Antitrust Authority (1993—2010). He has been Professor of Economic and Financial Politics. His practice looked at problems of monetary theory and the history of economic thought, as well as economic politics. Most recently he published *Il mercato oltre le ideologie* (Università Bocconi Editore, 2006), *Le stagioni dell'antitrust* (with Andrea Pezzoli, Università Bocconi Editore, 2010), *Trattatello sulla felicità* (LUISS University Press, 2013) and, with others, *Birth of Digital Populism* (Obsolete Capitalism, 2014) and *Moneta, rivoluzione e filosofia dell'avvenire* (Obsolete Capitalism, 2016).

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