

What is Commercial Capital?: Japanese Contributions to Marxian Market Theory

Shinya Shibasaki (Hokusei Gakuen Univ., Japan)

Kei Ehara (Oita Univ., Japan)

Introduction

Reading Marx's *Capital* Vol.3 is getting more and more important. While *Capital* Vol.1 has widely attracted attention all over the world for quite a long time, most part of *Capital* Vol.3 has relatively been unnoticed: the notable exception is Part 3 of Vol.3, the theme of which is the tendency of the rate of profit to fall (TRPF). Numerous scholars have discussed whether or not this law could be proved.

However, Japanese Marxians have been interested in other spheres in *Capital* Vol.3 as well. Indeed, Part 4 and 5 have drawn no less attention from them than Part 3. It is especially noteworthy that Part 4, "The Transformation of Commodity Capital and Money Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)", has been a popular area of discussion among Japanese Marxians: whereas Part 5, "The Division of Profit into Interest and Profit of Enterprise", was taken up by R. Hilferding, who wrote *Finance Capital* in 1910, the Western literature has paid little attention to the theory of commercial capital developed in Part 4. In order to complete the introduction of Japanese Marxian economics, the theory of commercial capital is indispensable and we think it useful for all critical thinkers of capitalism to understand how and why Japanese Marxians have studied the area.

In addition, the theory of commercial capital is nowadays worth studying more than ever. A number of heterodox scholars are investigating dynamics of financial market, especially after 2008 world crisis. Among them, some Marxians stress TRPF to point out that capital prefers to invest in financial assets rather than to be engaged in material production with decreasing rate of profit. This argument is valuable because most heterodox arguments exclusively focus on financial dynamics and tend to neglect the relations to real economy. TRPF offers one way to describe a whole theoretical picture of capitalist economy. However, TRPF does not explain how the financial market is established. We know from experience that financial investments yield more profit than material investments, yet at first we need to prove the existence of the financial market in theory.

We must theoretically analyse the financial market in order to know how it is generated and serve as a field of investment. Studying banking capital is of course indispensable. At the same time, however, commercial capital is also becoming an important player in finance theory in Japan. Marxian economists have traditionally regarded commercial capital as an agent of industrial capital, who represents trade of material goods produced by industrial capital. Nevertheless, recent Japanese Marxian economists consider commercial capital as an organiser of the capitalist market in general, dealing not only in material goods but also in financial assets. Japanese contributions to the theory of commercial capital must be helpful

in investigating financial dynamics such as credit expansion and bubbles in modern capitalism.

The history of Japanese studies of commercial capital can be divided into three periods: the first period is from the 1950s to the 1970s and is led by Kozo Uno (1897 - 1977), one of the most influential figures in Japanese Marxian economists. A lot of people followed his argument and formed a group of scholars called the Uno school or Unoists. Consequently, the study of commercial capital has been mainly conducted by the Uno school. The first section of this paper will introduce how Uno tried to develop Marx's argument on this topic.

The important figure in the second period is Shigekatsu Yamaguchi (1932 -), who was a student of Uno and also is one of the main critics of Uno. His first book published in 1983, *Competition and Commercial Capital*, stimulated fierce debates in this field of study and became one of the reference points in this period from the 1980s to the 2000s. Also, he educated many Marxian scholars at the University of Tokyo, contributing to the popularity of this theme among the Uno school. This paper will deal with Yamaguchi's theory in the second section.

The third period began from the 2000s. The theory of commercial capital is still one of the most popular areas of study in Japanese Marxian economics. One of the issues is how to develop and update Yamaguchi's theory to understand modern capitalism. We shall describe the current achievements and the remaining issues in the third section and conclusion respectively.

1. Commercial Capital and “Capital as an Automatically Interest-Bearing Force”

Since it has been the Uno school that has propelled the development of the theory of commercial capital, it is necessary to understand the general framework of the Unoist way of theorising foundations of capitalism.

Unoist basic theory of capitalism is called the principles of political economy, which is used as the standard to analyse the historical transformation of capitalism. It is critically developed from the three volumes of Marx's *Capital* and consists of three parts: the doctrines of circulation, production and distribution. Uno's book on the principles, *Principles of Political Economy* (Uno[1980]), has been a representative textbook for university courses in Japan.

The three parts do not correspond to each volume of *Capital*: they are originally rearranged to form a more logically compelling theoretical model. The first part deals with the concepts of the market such as commodity, money and capital. The second part considers the topics of labour, reproduction, exploitation and accumulation etc. In the third and last part, we consider the market mechanism including the price system, financial market and business cycles. This configuration is by and large regarded as still

effective and shared among almost all Unoist textbooks of the principles of political economy¹.

The most distinct part is the first part, the doctrine of circulation, which studies the market as it is: it logically develops the concept of capital from the theoretical analyses of commodity and money, taking it as an indispensable element of the market in capitalism. This approach is radically different from that of Marx, who essentially dismissed the movement of capital independent from the production (i.e. $M - C - M'$) and insisted that the sale and purchase of labour-power is necessary to solve the contradictions in the general formula of capital.

We do not have enough space to go into the detail in this point, but what is important for us is the consequence of this apparently slight reorganization in the first part. It greatly influenced the way to read *Capital* Vol.3, which describes two different methods to develop itself. The focal point is how to understand the competition among capitalists. One of the methods is to exclude it when reading *Capital* Vol.3, as Marx puts in the following paragraph in the last part of Ch. 43 “The Trinity Formula”:

In presenting the reification of the relations of production and the autonomy they acquire vis-à-vis the agents of production, we shall not go into the form and manner in which these connections appear to them as overwhelming natural laws, governing them irrespective of their will, in the form that the world market and its conjunctures, the movement of market prices, the cycles of industry and trade and the alternation of prosperity and crisis prevails on them as blind necessity. This is because the actual movement of competition lies outside our plan, and we are only out to present the internal organization of the capitalist mode of production, its ideal average, as it were.²

On the other hand, at the very beginning of *Capital* Vol.3, Marx maintains that the issue of competition must be considered here, as seen in the following sentences:

It cannot be the purpose of the present, third volume simply to make general reflections on this unity [of the process of capitalist production (Vol.1) and the process of circulation (Vol.2)]. Our concern is rather to discover and present the concrete forms which grow out of the *process of capital's movement considered as a whole*. In their actual movement, capitals confront one another in certain concrete forms, and, in relation to these, both the shape capital assumes in the immediate production process and its shape in the process of circulation appear merely as particular moments. The configurations of capital,

¹ As for the formation of Uno's style of Marxian economics, see Obata[2017].

² Marx[1991]pp.969,970.

as developed in this volume, thus approach step by step the form in which they appear on the surface of society, in the action of different capitals on one another, i.e. in competition, and in the everyday consciousness of the agents of production themselves.³

Uno generally takes this latter method to form the third part of the principles of political economy, the doctrine of distribution. It was necessary for Uno because neither the first part or the second part could be regarded as completed by itself: these two fields must be integrated somehow. Thus in the third part, Uno studies how capital, which originates in the market, subsumes social production and develops itself into several concrete forms that “appear on the surface of society, in the action of different capitals on one another, i.e. in competition, and in the everyday consciousness of the agents of production themselves”. Whereas the first part investigates the market without taking the production process into account, the third part is a renewed field of study of the capitalist market on the basis of social reproduction revealed in the second part.

His theory of commercial capital illuminates the point of argument. Its foremost originality lies in a clear distinction between merchant capital (kaufmännisches Kapital, Kaufmannskapital) and commercial capital (kommerzielles Kapital, Handelskapital)⁴. Firstly, Uno discusses merchant capital in the doctrine of circulation when he introduces the formula $M - C - M'$ as follows:

A concrete manifestation of the formula $M - C - M'$ can be seen in merchants' capital which appears even in pre-capitalist societies with the evolution of a commodity-economy, giving impetus to its further development. Merchants' pursuit of increased value has its foundation in the practice of 'buying cheap and selling dear.' This practice characterizes the capitalist activity of merchants. ... *Merchant capital* makes profit by wedging itself, as it were, between one community and another and bridging those who sell cheap and those who purchase dear. In other words, it lacks a real foundation inside an economic community for the pursuit of increased value.⁵

Since the first part of Uno's *Principles* focuses exclusively on the market itself abstracted from the entire economy, the formula $M - C - M'$ has no foundation of valorization within the sphere of production. This feature is here associated with that of the merchant capital, which can be observed in pre-capitalist era.

³ Ibid., p.117.

⁴ In English translation of *Capital* Vol.3, these two terms are not always distinguished. In Penguin Classics edition, „Kaufmannskapital” is sometimes translated into “commercial capital” and sometimes into “commodity capital”.

⁵ Uno[1980]p.14.

Indeed, merchant capital plays an essential role in Uno's analysis of historical transformation of capitalism. It is named the stages theory and published also as a textbook, which is now available in English, *The Types of Economic Policies under Capitalism* (Uno[2016]). He periodises the history of capitalism into three stages: mercantilism, liberalism and imperialism. The first stage, the stage of mercantilism, corresponds to the period from 17th or 18th to the early 19th century, when the system of mass production and wage labour was not fully established and merchants prevailed as a result. Uno summarises the feature of this stage in the following sentences:

From the beginning, this historical process [of the penetration of commodity-economy into the communities] presupposed, and was assisted by, the unfolding of international commodity trade, under the influence of which hitherto isolated local communities were drawn into the orbit of an integrated national economy. The economic catalyst of that process turned out to be *merchant capital*, as it was politically aided by the absolute monarchy of nascent modern nation-states.⁶

This is regarded as the “formative period of capitalism”: the lack of productive foundation of merchant capital represents its incompleteness in Uno's stages theory.

On the other hand, after the wage labour was created nationwide and industrialisation was advanced like in the mid-19th century England, merchant capital lost its dominant position in capitalist society and the age of industrial capital started. Nevertheless, world trade did not of course shrink: rather, it is reorganised and expanded further under the influence of industrial capital. This period is the second stage of capitalism in Uno's stages theory called the stage of liberalism. Uno grounded his basic theory of capitalism on this second stage and emphasised the difference in the state of world trade between the two periods. Consequently, commercial capital was distinguished from the concept of merchant capital and was taken as a more theoretical concept which could be organically related with the logical development of industrial capital and social reproduction. Uno explains this difference together with the role of money-lending capital as follows:

The ... money-lending capital together with merchant capital whose formula, let it be recalled, was $M - C - M'$ emerges even in pre-capitalist societies as soon as a commodity-economy develops to some extent. The value augmentation of these two types of capital, however, cannot be said to be rooted in the labour-and-production process, the substantive economic base of these societies. ... Yet as forms

⁶ Uno[2016]p.36.

of capital they do represent the self-augmenting motion of value. It is for this reason that they constitute the antecedents and the vital ingredients of industrial capital, the form of capital which actually takes possession of the process of production and establishes the capitalist mode of production. The hegemony of industrial capital, however, does not entail a summary dismissal of these traditional types of capital, money-lending and merchant, but rather their adaptation and reinstatement in the new context. Since industrial capital too must circulate and incurs in the process some unproductive circulation-costs, these must be saved and 'economised' on a capitalist-social basis; the formulae of money-lending and merchant capital are relied upon to pursue this end.⁷

Commercial capital is thus defined within a theoretical context of the motion of industrial capital: commercial capital specializes in the selling process so that industrial capital can outsource its own process of circulation. This function will be more stressed by Yamaguchi as we shall see later. Distinguishing the two concept, merchant capital and commercial capital, Uno maintains that the "original activities in pre-capitalist societies" of merchant capital "can better be appreciated" on the basis of the theoretical conception of commercial capital (Uno[1980]p.109).

In Uno's *Principles*, commercial capital has another important role: it is used as a theoretical step to examine fetishism of capital. While Uno firmly rejected the concept of interest-bearing capital in Part 5 of *Capital* Vol.3, he tried to refurbish it in his original way. It is renamed "Capital as an Automatically Interest-Bearing Force" (Capital as an AIBF), which was thought to be logically developed from the concept of commercial capital⁸. According to Uno, it is at first commercial profit, not profit in general, that is divided into interest and entrepreneurial profit, since commercial profit is the general notion of profit for capitalists themselves as "the old concept of 'profit upon alienation'" has "preoccupied all forms of capital since the heyday of merchant capital, that is, the concept that profit is nothing but the difference of the selling price over the unit-cost"⁹. Then Uno elucidates how the concept of capital as an AIBF is generated in the following sentences:

Commercial profit arises from the saving of circulation-costs which, though necessary, encumber the formation of surplus value, the only source of industrial profit. It is this circuitousness that leads to a peculiar misconception originating in the circulation-form of capital itself. Since the acceleration of the turnover of capital by the policy of 'quick sales at small gains' often promotes

⁷ Uno[1980]p.109.

⁸ As for a brief introduction of Uno's theory of credit, see Ehara[2018b].

⁹ Uno[1980]p.115.

commercial profit, the cause of this profit is naturally attributed to the judicious activity of the commercial capitalist himself. ... [C]ommercial capitalists become capitalists *par excellence* and their speculative activity enshrouds every reality of the capitalist economy. ... Hence interest on that 'cash' must automatically be subtracted from commercial profit to determine the so-called *entrepreneurial profit*, or the reward for the purely capitalist activity of buying and selling commodities. Underlying this capitalist conception of entrepreneurial profit. however, is the even more self-deceptive notion that 'capital automatically begets interest,' with which notion indeed the fetishism of the capitalist economy is consummated.¹⁰

Hence, "[t]he division of commercial profit into interest and entrepreneurial profit fixes the idea of capital as an *automatically interest-bearing force*."¹¹ As a result, "the spirit of capital" permeates through capitalist society that all kinds of capital "should not be left idle even for a moment"¹².

In order to maintain this structure of argument, Uno needed to place the theory of commercial capital after the theory of credit system, opposing *Capital* Vol.3. This question of order is to become one of the hot topics later in Unoist studies. Nonetheless, at least for Uno, we can guess that commercial capital must be the direct source of the notion of capital as an AIBF when we think of his stages theory. He relates the concept of capital as an AIBF with his stages theory as follows:

From a historical perspective, ... it was merchant capital (M – C – M') that first emerged as the dominant form of accumulation in the early stage of capitalist development, then came industrial capital (M – C ... P ... C' – M') in the middle stage, and, finally, finance-capital (M ... M') in the declining stage. ... [F]inance-capital may ... be viewed in some sense as a concrete-historical manifestation of what I call in theory 'automatically interest-bearing capital' [or capital as an AIBF], which is, by far, the most sophisticated (or synthetic) form of capital, having itself become a commodity in the form of an automatically interest-bearing asset (which appears to be the furthest away from the production-process), in much the same way as land, once commodified, may be regarded to be an asset that automatically bears rent.¹³

While capital as an AIBF reinforces the notion of "the fetishism of the capitalist economy" deduced in

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid., p.116.

¹³ Ibid., p.174.

theory, finance capital is deemed “as a concrete-historical manifestation” of capital as an AIBF developed in history. This means that, according to Uno, finance capital cannot be deduced from the activities of industrial capital in theory: it is only capital as an AIBF that can be theoretically developed. “[T]he issue here is whether industrial capital, which we claim forms the theoretical basis of capitalism in general, has the capacity within itself to logically develop into finance-capital.”¹⁴ Uno’s answer is negative: “not even the theoretical concept of automatically interest-bearing capital possesses such a virtue”¹⁵. Hence, when finance capital emerges as a manifestation of capital as an AIBF, it is viewed as a proof that capitalism is in decline which can only be provided within historical analyses.

If we are to summarise the above arguments, we can find a latent but firm relationship between the concept of commercial capital and historical study of capitalism in Uno’s works (Figure 1). The theory of commercial capital is constructed within the logical structure of industrial capitalism and should be used as a standard for studying roles of merchants in pre-capitalist societies. It is also considered as useful in capturing the movement of merchant capital dominant in the stage of mercantilism. Actually, commercial capital is still on the way to develop in theory: but it retains sufficient features for investigating the stage of mercantilism that corresponds to a still-undeveloped or “formative” period of capitalism. On the other hand, since the stage of imperialism is a full-fledged capitalist society, commercial capital must be developed into its complete image of capital as an AIBF to be valid as a standard of analysis: capital as an AIBF plays a central role in studying imperialism instead of commercial capital.

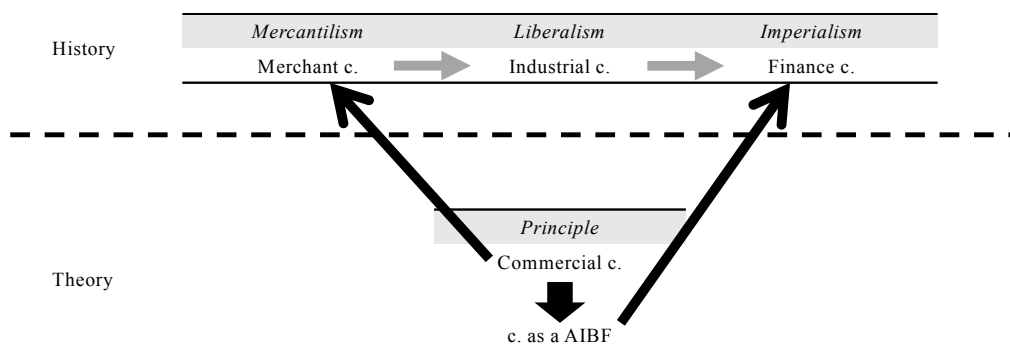


Figure 1: Commercial Capital and Stages Theory

The theoretical relation between commercial capital and capital as an AIBF thus marks historical transformation of capitalism depicted in Uno’s stages theory. It is not coincidental that the theory

¹⁴ Uno[1980]p.175.

¹⁵ Ibid.

of commercial capital has been one of the most discussed topics in Unoist studies of economics.

2. Commercial Capital as an Agent for Industrial Capital

Shigekatsu Yamaguchi marks the beginning of the second period of the studies of commercial capital in Japan. Whereas Uno regards commercial capital as developing into capital as an AIBF, Yamaguchi deals with it as forming a complementary system of industrial capital. This difference corresponds to the difference in theoretical position of commercial capital: in the first period of study, the theory of commercial capital is placed as a part of the theory of interest, while in the second period, it is one of the theory of market system, which also includes those topics regarding financial system.

We shall discuss three features in the second period of studying commercial capital, the following which we shall summarize the argument thereof¹⁶.

Principles as a standard of analyzing variety of capitalism

Firstly, Yamaguchi proposes to perfect the principles of political economy as a standard of analyzing varieties of capitalism. He distinguishes two roles of the principles: one is to capture the essence of capitalist society that is different from other forms of society, and the other is to be a standard of analyzing a specific pattern of capitalist development or its phases.

In the former role, the principles of political economy define capitalism in general compared with feudalism or socialism. This role is required when one is to reveal contradictions in capitalism and to give support to socialism. On the other hand, in the latter role, the principles are utilized to clarify the specificity of certain state of capitalism among various types of capitalism. Contrary to the theoretical image depicted as principles, actual capitalism has multiple types which include diversified “impurities” inside. The principles become a standard to investigate those actual states of capitalist society.

Yamaguchi himself emphasizes the latter role. The former role, according to Yamaguchi, is essentially what Marx aimed at and is not unique to the Uno theory. Meanwhile, the latter role was discovered by Uno, who witnessed the imperialist development of latecomer capitalist nations and had a demand for establishing a standard to study the difference among capitalist nations.

Yamaguchi assumes that Marx drew a single theoretical image of capitalism in *Capital*. Marx maintains, in the preface to the first edition of *Capital* Vol.1, the “*locus classicus*” of the capitalist society

¹⁶ Yamaguchi wrote a number of monographs to build the arguments shown in this section, including Yamaguchi[1983a], [1983b], [1984], [1985], [1996], [1998] and [2006]. Among them, Yamaguchi[1985] is a textbook for the university course with all topics of the principles of political economy and is equivalent to Uno[1980].

is England and tells the German readers “*De te fabula narratur!*”¹⁷. On the other hand, Uno came to realize the variety of capitalism after experiencing the stage of imperialism. This led Uno to reconsider *Capital* as a standard to analyze a variation of capitalism. However, Uno himself did not show how to use the standard, nor did he explain how his reorganization of *Capital* was related to the issue of setting the standard. Yamaguchi insists that it still remains to be examined how the principles of political economy will be consummated from a viewpoint of establishing the standard for the variety of capitalism.

Also, Yamaguchi argues it is required for this task to reexamine the market system under capitalist competition, which involves commercial capital, credit system and capital market. The principles as a standard must be used not only to reveal the difference between theory and actual phenomena, but also to interpret the difference together with underlying dynamics of changes. The theory of market system must be reorganized, according to Yamaguchi, so that it can be used as a theoretical apparatus effective in managing this task.

Capitalist Competition

Secondly, Yamaguchi stresses upon the capitalist competition as a logical momentum of constructing the theory¹⁸. As we have seen in section 1, there are two kinds of method in dealing with capitalist competition in *Capital* Vol.3: the one is to exclude it in theory and the other is to make use of it. Yamaguchi suggests Marx is based on his plan for the critique of political economy in the late 1850s when he excludes the factors of competition, as the plan clearly distinguished two topics, viz. “(a) Capital in General” and “(b) Competition”. On the basis of this division, the third volume of *Capital* would be “simply to make general reflections on this unity [of the process of capitalist production (Vol.1) and the process of circulation (Vol.2)]”, in which the allocation of capital is equilibrated as a result of competition. The third volume would be, as it were, a static theory of equilibrium.

To the contrary, if we take capitalist competition into account, the scope of *Capital* Vol.3 must be expanded into the following topics including not only “(b) Competition” but also “(c) Credit”, “(d) Joint-

¹⁷ Marx[1990]p.90.

¹⁸ Yamaguchi summarizes Marx’s plan for the critique of political economy as follows:

Part I Capital

(a) Capital in General

(b) Competition

(c) Credit

(d) Joint-stock Capital

Part II Landed Property

Part III Wage Labour

Part IV State

Part V Foreign Trade

Part VI World Market (and Crisis)

stock Capital”, “Part II Landed Property” and “Part VI World Market (and Crisis)”. Under this view, the “unity [of the process of capitalist production (Vol.1) and the process of circulation (Vol.2)]” has already been considered in Part 3 of *Capital* Vol.2, “The Reproduction and Circulation of the Aggregate Social Capital”, and cannot be the main point of argument anymore in Vol.3. As Marx put, the concern of Vol.3 must be “to discover and present the concrete forms which grow out of the *process of capital’s movement considered as a whole*.” Thus, we must pay attention to the process of equilibrium rather than the static result of equilibrium: the market system and its organization should arise as the disequilibrium is on the way to the equilibrium.

As we have mentioned above, Uno took the latter method. Yamaguchi pushes ahead with this reorganization. According to Yamaguchi, adopting the method of “(a) Capital in General” will lead us to try to capture the essence of capitalist society, whilst it is indispensable to consider “(b) Competition” and the following topics for theoretical analysis to be a standard for the variety of capitalism. Accordingly, he emphasizes the importance of capitalist competition in developing the arguments in Vol.3.

For Yamaguchi, Uno’s *Principles* is still insufficient in this respect. In other words, Uno’s doctrine of distribution in his *Principles* is regarded as sometimes inconsistent with the logic of capitalist competition. The typical example is, according to Yamaguchi, Uno’s theory of commercial capital. Here Uno does not pay enough attention to the competing relations among individual industrial capitals. Yamaguchi deems it prevents us from going into further study of the relationship between the principles and the stages theory, or the usage of the principles as a standard for the variety of capitalism.

Systematic Approach

Thirdly, Yamaguchi promotes the theory of market system at the sacrifice of the theory of fetishism. He distinguishes these two as different approaches and abandons the latter to purify the theory of market system which constructs itself among the competition of individual industrial capitalists.

Yamaguchi thinks highly of Uno, who related the theory of credit with the dynamics of accumulation of industrial capital and described its function clearly. Uno studied commercial capital from the same point of view, viz. its relation to industrial capital, and positioned it as systematically important entity for profit equalization together with banking capital.

Nevertheless, Uno’s theory of interest at the same time illustrates the gradual process of perfecting the fetishistic character of capitalist mode of production, as we have seen in section 1. The key player in this context was commercial capital. In Uno’s theory of commercial capital, he shifted his interest from the function of commercial capital to the perverted view on profit, which would be the basis of the concept of capital as an AIBF. Yamaguchi condemns this turn as inconsistent. It is because of this,

according to Yamaguchi, that Uno failed to complete the study of market system centered on commercial capital and lacked the theory of capital market.

While the theory of market system is needed to establish a standard for the variety of capitalism and must be based on the logic of capitalist competition, the theory of fetishism is considered as the essential character of capitalist society and also the feature of “(a) Capital in General”. If we concluded the basic theory of capitalism with the theoretical analysis of fetishism, it would reveal capitalism as a class society that should appear as no class society. This conclusion certainly represents the essence of capitalist society, but cannot be used as a standard to study the variety of capitalism, Yamaguchi insists. The Uno theory must not be developed in this direction. Yamaguchi asserts Unoists must abandon their commitment to the theory of fetishism and concentrate on establishing the standard by developing the theory of market system.

Method, Structure and Precondition

Now let us have a look at method, structure and precondition in the second period of study, which are related to the above three features.

(1) Differentiation and Development Method (DDM)

In order to develop the theory of market system, Yamaguchi starts from a hypothetical situation where there are only industrial capitalists. This is rather similar to the abstracted situation in Chapter 1 of *Capital* Vol.1, where we have only commodities but no such thing like money, but is certainly different from what Marx did in Chapter 16 of *Capital* Vol.3, where commercial capital and industrial capital are both given. Yamaguchi proposes to investigate how commercial capital is differentiated and developed from industrial capital. This method is named “Differentiation and Development Method (DDM)”.

Industrial capital and commercial capital appear independent in actual economy. We cannot fully appreciate internal relation between the two from simple superficial observation. According to Yamaguchi, DDM is to describe logical development of commercial capital from industrial capital and to theoretically reproduce the relation, in which industrial capital necessarily differentiates commercial capital from itself through its profit-seeking activities. In addition, DDM gives a standard for analyzing capitalist history, where merchant capital had become subject to industrial capital and turned itself into commercial capital, that is, an agent for productive capital.

(2) Structure of Market System

In general, *Capital* Vol.3 has been read to have the following order of structure: commercial capital (Part 4), interest-bearing capital (Chapter 21- 24, Part 5), credit (Chapter 25 - 35, Part 5). We can largely say

Uno placed the topic of credit before commercial capital. According to Uno, though credit system and commercial capital play the same role in increasing the production of surplus value by saving circulation costs, commercial capital is more progressive in this aspect and must be developed on the basis of the credit system. Whereas “bank-capital *directly* contributes towards the extension of society’s surplus-value production since the capitalist-social employment of funds reduces the burden of circulation-capital and, at the same time, increases the magnitude of productive capital”, “[c]ommercial capital, in contrast, promotes the social production of surplus value *indirectly*” and “replaces industrial capitals in the conversion of commodity-capital into money-capital by specializing in, and expediting the hazardous process $C' - M'$ of selling commodities in the motion of industrial capital.”¹⁹

Yamaguchi again reverses the structural order of the topics of credit and commercial capital. The reason is that the credit relationship involves a future estimation and shows more sophisticated mode of circulation. Commercial capital, according to Yamaguchi, must precede the credit system since it is more easily available for individual capitalists.

Moreover, commercial capital and credit system show different roles in equalizing mechanism of the rates of profit. Commercial capital refrains from trading with industrial capital with low rate of profit. Meanwhile, credit system does work for relatively stagnant industries as well as for industries in prosperity. The function of commercial capital is not sufficient for profit equalization and must be supplemented by the function of credit system. Yamaguchi insists this also means commercial capital must appear before the credit system is created in theory.

(3) The Uncertainty in the Circulation Process

Lastly but not least, we must pay attention to the precondition of DDM. This is the uncertainty in the circulation process. Because industrial capital is faced with this uncertainty, commercial capital must develop.

This keyword means uncertain and unpredictable change in the selling period of commodity. One cannot know when his/her commodity will be purchased. This unpredictability is a hindrance to a smooth process of production. If the commodity does not sell well, the selling period will be longer than expected. Then the industrial capital might run out of cash, or in other words, the transformation of commodity capital into money capital will be hampered. This will make it difficult to purchase the production materials, exposing the producer to risk of idle equipment. In order to avoid such a situation, the industrial capital needs circulation capital as reserves. Circulation capital is, as it were, a buffer to the

¹⁹ Uno[1980]p.113.

uncertainty in the circulation process, preventing fixed capital from being idle.

However, the amount of circulation capital is also uncertain. It is left to the discretion of each individual industrial capitalist. It is sometimes too large and sometimes too small. Also, industrial capitalists spend circulation costs for advertisement and other sales promotions. The effect of these activities cannot be predicted. It is because of this uncertainty in the circulation process that the complex market system arises in the capitalist market.

Summarizing the argument in the second period

Yamaguchi's argument can be summarized as follows. As we have noted above, the uncertainty of the circulation process incessantly causes unexpected surplus or shortage of circulation capital. This will damage profitability of industrial capital. In order to cope with this uncertainty, industrial capitalists have a demand for agents who manage the selling process on behalf of them. If someone, say X, promised to purchase the product immediately after it is produced, there would be no uncertainty in the selling process. Then the producer would be able to save at least part of circulation capital.

Many industrial capitalists would compete to transfer their selling processes to X. This competition would make the price of the products to X lower, allowing X to take profit margin. This means the profit of the industrial capital would be partially distributed to X. This possibility is the ground for commercial capital to develop. Commercial capital substitutes for industrial capital and undertakes the task of selling commodities, thereby bearing part of the circulation costs instead. Consequently, industrial capital can raise the rate of profit by outsourcing the selling process to commercial capital.

However, commercial capital does not always respond to the demand of industrial capital. Since commercial capital does not have fixed production equipment, it can swiftly change articles sold at its store. If the margin is not sufficient, commercial capital immediately stops handling the article. Then the selling process will be set back to the industrial capital. Commercial capital is not a panacea for the uncertainty of the circulation process. The credit system must appear to overcome the limitations of commercial capital.

3. Commercial Capital as an Organizer of the Market

Yamaguchi reorganized the theory of commercial capital as the main part of the theory of market system, instead of the theory of interest. Our third section will consider the third period of study of this field, which can be labelled the theory of market organization. The difference between "market system" and "market organization" will be elucidated as we shall investigate the recent discussions.

Classifying Commercial Capital

To begin with, we shall take a look at the arguments by Hideaki Tanaka (1965 -)²⁰. Tanaka points out the selling period should be regarded as the anticipated maximum period of circulation, not the average period. Industrial capitalists individually set this maximum period by estimating fluctuating number of sales in order to minimize the negative impact on the production process. Because most commodities are purchased within this anticipated maximum period, industrial capital must usually have surplus commodity capital and idle money capital.

In order to save this surplus circulation capital, the anticipated maximum period must be shortened. However, it cannot be shortened without controlling the number of short-term sales. Commercial capital is required for this purpose, according to Tanaka, to establish long-term and stable trade relationship.

Tanaka admits commercial capital may also engage in temporary trade with industrial capital. In this short-term relationship, industrial capital cannot expect stable outsourcing of selling process. Nor does it let industrial capital regulate the circulation period.

On the other hand, within long-term and stable trade relationship, industrial capital will not be confronted with large changes in the amount of trade or sudden cancellation of the contract. Since it naturally causes some disadvantages to the activity of commercial capital, this relationship cannot be a general feature of the market system.

Tanaka thereby classifies commercial capital into two types: (1) the one is to concentrate on temporary trade and enjoy the benefits of the flexibility in choosing commodities and trading counterparts, speculating on market fluctuations; (2) the other is to establish firm relationship with industrial capital and mediate interconnection among industrial capital as an organizer. While Yamaguchi pursues the logic of determining a single theoretical image of commercial capital, Tanaka starts discussing possible diversity in forms of commercial capital.

Expanding Commercial Capital

Another important figure today is Masashi Shimizu (1970 -). According to Shimizu, although it is not exceptional for commercial capital to set back the selling process into industrial capital, it must be informed to the industrial capital beforehand or the amount of trade should be decreased gradually. In addition, commercial capital can change the contents of the outsourcing contract if it becomes unfavorable. Without those flexible measures, cancelling the contract of outsourcing would be too risky for each party. Thus, Shimizu assumes it is necessary for commercial capital to build relationship to industrial capital with certain

²⁰ Tanaka[2017].

predictability. Consequently, the market would have a dual structure: the core would be commercial capital that undertakes the selling process with certain predictability, while there would be another type of commercial capital in the periphery with single or temporary relation to industrial capital. As a result, the market is thus organized by the activities of commercial capital²¹.

For Shimizu, commercial capital expands the scope of the business on the basis of this predictable form of outsourcing. Shimizu asserts commercial capital is not only engaged in handling products manufactured by industrial capital: it would sometimes act as an industrial organizer, who coordinates multiple production processes; or it would sometimes be a recruiter of workers in labor market. Also, it could work as a securities firm, supporting the project of founding business through buying and selling financial assets. It could even be an equivalent to banking capital, dealing with funds as a result of trading products constantly with the same parties²².

In short, recent researchers focus on how commercial capital create multilayered structure of the capitalist market, including not only product market but also money market and capital market etc. Commercial capital is not just an agent substituting for industrial capital anymore: it regarded as a main organizer of the capitalist market. In the third period of study, commercial capital indeed plays a far more expanded role.

The Market System and the Market Organization

Researchers in the third period have reorganized the concept of commercial capital, thereby reconstructing the theory of market system into the theory of market organization.

Yamaguchi's concept of commercial can be conceptualized as follows: it is a specialized and scattered player dependent to industrial capital.

First, it is specialized as a wholesaler for industrial capital. This aspect is generally in line with *Capital*, in which other functions are discarded and removed as follows: "the transport industry, storage and the dispersal of goods in a distributable form ... we can therefore ignore these functions"²³; commercial capital is "stripped of all the heterogeneous functions ... such as storage, dispatch, transport, distribution and retailing"²⁴; "[h]ere, as throughout the text, attention is paid only to ordinary trade, not to speculation, the examination of which lie outside the ambit of our discussion"²⁵.

Second, it is scattered in that it does not aim to form any kind of organization with other

²¹ Shimizu[2006].

²² Shimizu[2013,14].

²³ Marx[1991]p.379,380.

²⁴ Ibid., p.395.

²⁵ Ibid., p.422.

individual capital. The above quotation from *Capital*, “attention is paid only to ordinary trade, not to speculation, the examination of which lie outside the ambit of our discussion”, is followed by this phrase: “together with everything that pertains to the division of commercial capital”²⁶. As a result, Marx did not examine the organization possibly founded by commercial capital. Here, Yamaguchi’s attitude is similar to that of Marx: Yamaguchi asserts the organization of commercial capital is “left inside a black box, as it were”.

Third, it is dependent to industrial capital after all. Marx maintains “the subordination of commercial capital to industrial capital takes with the progressive development of capitalist production.”²⁷ Yamaguchi agrees with Marx and insists commercial capital assists capital accumulation of industrial capital and thereby complement the formation of a general rate of profit.

On the other hand, commercial capital in the recent arguments can be characterized as an interdisciplinary organizer independent from industrial capital.

It is an organizer, not a scattered individual, who builds stable relationship with certain predictability. Also, it is rather independent from industrial capital in that it creates the market organization on the basis of the possibility of setting back the outsourced process of circulation into industrial capital: as Shimizu argues, this possibility would motivate commercial capital to seek ways to cancel the outsourcing contract without taking much risk.

These two new features make commercial capital play more roles other than buying and selling for industrial capital. In the third period of study, commercial capital theoretically has abundant functions including storage, transport, retailing, speculation etc. Commercial capital is regarded as an interdisciplinary actor who squeezes itself into other spheres and thereby the logic of capital permeates through the spheres²⁸.

This turn of theoretical image of commercial capital corresponds to the turn from the theory of market system to the theory of market organization.

Yamaguchi considers the market system as the complementary system of the profit-seeking activity of industrial capital. It forms a layered structure from the product or commodity market at the bottom to the capital market at the top, as shown in Table 1.

²⁶ Ibid.

²⁷ Marx[1991]p.446.

²⁸ For example, Ehara[2018] argues commercial capital can handle financial assets and can cause speculative bubbles.

Table 1: The Structure of Market System

| | | |
|---------------|------------------|--------------------|
| The 3rd layer | Capital market | Securities capital |
| The 2nd layer | Money market | Banking capital |
| The 1st layer | Commodity market | Commercial capital |

The lower layer is simpler and more accessible to industrial capital, but its function is limited: the limitation of the lower layer is overcome by the upper layer. The market system has such a strictly ordered structure. And these three players are all regarded as alter egos of industrial capital, so to speak, who specialize in the processes outsourced from industrial capital.

Meanwhile, after Yamaguchi, the younger generation launched into reconsidering this structure. Shimizu focuses on the interrelation of the three markets and players, rather than the one-way development. They are regarded as parallel and influencing each other. For Shimizu, the capitalist market is a more interrelated network with a multi-dimensional structure. Tanaka also rejects a serial development of the market system and emphasizes bilateral effects between the credit system and commercial capital. According to Tanaka, commercial credit would be used by commercial capital to overcome its defect, while commercial capital would be required to complement the functions of commercial credit.

These recent arguments just concentrate on reconsidering the relations among the three players. They somewhat take them for granted. However, if commercial capital wants a more predictable contract, why not industrial capital? It is not only commercial capital but also industrial capital that is competent in establishing such a relation. There must be another player, industrial capital, that can act as an organizer of the market.

In addition, the theory of banking is now at issue. The banking organization has a long history of argument and the main point has been how to deduce central bank in theory. Consequently, it is centered on the vertical relationship of rediscount. The recent researchers, however, discuss horizontal relationships such as correspondent arrangement and a clearing house as indispensable topics in banking theory²⁹.

The theory of market system is thus being reorganized as a new theoretical field, the theory of market organization (Figure 2).

²⁹ These latest arguments are developed in Shibasaki[2018a] and [2018b].

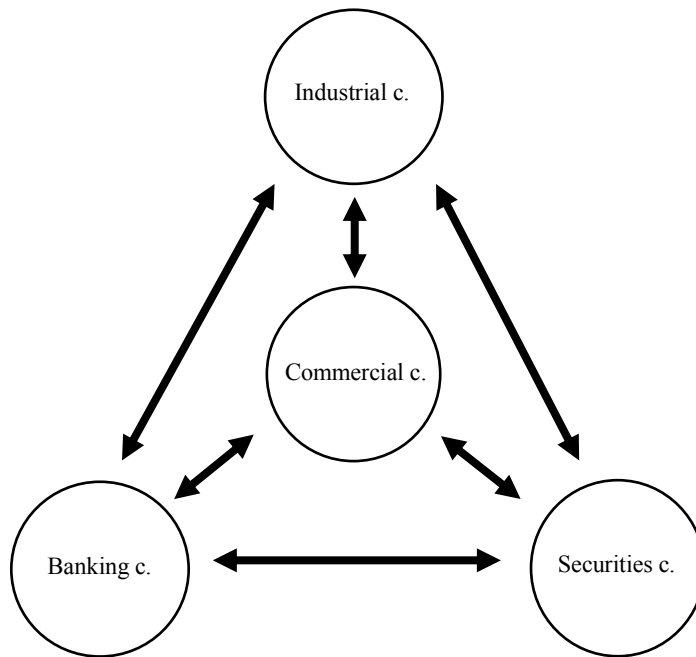


Figure 2: The Structure of Market Organization

References

(Titles in brackets are available only in Japanese.)

Ehara, Kei [2018a] (*Capitalist Market and Crisis*), Nihon Keizai Hyoron Sha.

Ehara, Kei [2018b] “Book review. Teinosuke Otani: Marx’s Theory of Interest-bearing Capital: Sakurai-Shoten 2016. 454 pages”, *Marx-Engels-Jahrbuch 2017/18*.

Marx, Karl [1990] *Capital*, Vol.1, Penguin Classics.

Marx, Karl [1991] *Capital*, Vol.3, Penguin Classics.

Obata, Michiaki, [2017] “How has Marx's Capital been Re-read in the Process of Capitalistic Development?”, 2017 Symposium on the 150th Anniversary of K. Marx’s Capital, "Marx in the 21st Century" Project in Japan (<http://marxinthe21stcentury.jspe.gr.jp/en/>, checked on 21 June, 2018)

Shibasaki, Shinya [2018a] “(Reconstruction of the Commercial Capital Theory: Recovery of Transboundary, Organization, and Independency)”, Ph.D. thesis in the University of Tokyo.

Shibasaki, Shinya [2018b] “(Building the Theory of Commercial Organization)”, *Political Economy Quarterly*, Vol.55, No.3.

Shimizu, Masashi [2006] (*The Theory of Commercial Capital*), Nakanishiya Shuppan.

Shimizu, Masashi [2013,14] “(The Other Theory of Commercial Capital)”, *Economic Bulletin of Senshu University*, Vol.48, No.1-3.

- Tanaka, Hideaki [2017] (*Political Economy on the Credit System*), Nihon Keizai Hyoron Sha.
- Uno, Kozo [1980] *Principles of Political Economy*, Harvester.
- Uno, Kozo [2016] *The Types of Economic Policies under Capitalism*, Brill.
- Yamaguchi, Shigekatsu [1983a] (*Competition and Commercial Capital*), Iwanami Shoten.
- Yamaguchi, Shigekatsu [1983b] (*How to Read Capital: Learning from Kozo Uno*), Yuhikaku.
- Yamaguchi, Shigekatsu [1984] (*The Theory of Finance System*), The University of Tokyo Press.
- Yamaguchi, Shigekatsu [1985] (*Lectures on Principles of Political Economy*), The University of Tokyo Press.
- Yamaguchi, Shigekatsu [1996] (*Essays on the Theory of Value and Methodology*), Ochanomizu Shobo.
- Yamaguchi, Shigekatsu [1998] (*Essays on the Theory of Commercial Capital*), Ochanomizu Shobo.
- Yamaguchi, Shigekatsu [1998] (*Essays on Typology*), Ochanomizu Shobo.