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Rethinking Marx's Fictitious Capital: Banking Capital, Accounting
Perspectives, and the Modern Uno School Approach

Yoshihisa Iwata
Tokyo Keizai University

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Rethinking Marx's Fictitious Capital: Banking Capital, Accounting Perspectives, and the Modern Uno School

Approach

Yoshihisa Iwata¹

April 10, 2026

Abstract

Conventional interpretations of Marx's "fictitious capital" focus on capital fetishism and on financial crises associated with price fluctuations in long-term securities. However, these interpretations tend to overlook the internal complexity of the term in Volume III of *Capital*. Marx employs the term "fictitious" in several distinct senses, particularly in his analysis of banking capital in Chapter 29, without establishing a clear dichotomy between industrial capital and banking capital. As a result, difficulties arise when the conceptual framework of industrial capital is applied to banking capital, leading many components of banking capital to appear "fictitious".

This paper draws on accounting concepts and modern Uno School approaches to clarify this problem. Marx implicitly adopts a balance-sheet perspective: he characterises not only long-term securities, but also short-term financial claims on the asset side and credit money not backed by gold on the liability side as fictitious, while excluding banks' equity capital and gold reserve. In addition, accounting retains the dual meanings of "capital" and differentiates the calculation of profit between industrial capital and banking capital. Furthermore, recent Uno School contributions extend Marx's credit theory by theorising both credit creation and the long-term securities market, thereby clarifying the multiple meanings of "fictitious".

By integrating these perspectives, this paper identifies the theoretical core of fictitious capital and contributes to reconstructing credit theory within the logical structure of Volume III of *Capital* in the era of financialisation.

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¹ Department of Economics, Tokyo Keizai University, Tokyo, Japan. iwata_12@tku.ac.jp

1. Introduction

Since the 1980s, the financial sector has expanded significantly. To explain these developments, Marx's concept of "fictitious capital" is often invoked. The term is usually associated with long-term securities and price fluctuations. However, if fictitious capital referred only to long-term securities, the concept itself would be theoretically unnecessary (Ito and Lapavistas 1999: 269). The ambiguity of fictitious capital therefore reflects a deeper conceptual problem in extending the concept of capital from industrial capital to the credit system.

In fact, Marx's own usage in Part Five of Volume III, especially in Chapter 29, *Banking Capital's Component Parts*, is considerably broader. He employs the term not only in discussions of long-term securities but also in relation to short-term claims and bank deposits. The conventional view tends to overlook what Marx sought to analyse in banking capital through the term "fictitious". The problem is not simply the pricing of long-term securities, but more fundamentally the status of banking capital within Marx's theory of capital.

This paper argues that Marx attempts to apply the concept of "capital", originally developed for industrial capital, directly to banking capital at the centre of the credit system. This mismatch between different forms of capital explains why most components of banking capital appear fictitious when evaluated by the material criteria derived from industrial production. The core of industrial capital lies in tangible assets that generate surplus value through the exploitation of labour, whereas banks mainly hold financial claims on the asset side, through which they receive a share of that surplus value. The core of banking capital lies in net worth, in terms of its identity as capital. If a material, asset-based conception of capital is taken as the standard, many components of banking capital appear "fictitious". The multiplicity of meanings therefore signals a theoretical difficulty in extending the concept of industrial capital to the credit system.

Accordingly, this paper does not treat fictitious capital as a problem limited to long-term securities markets, but rather as a problem concerning the theoretical determination of banking capital, which lies at the centre of the credit system.

Certainly, Volume III of *Capital* is incomplete, and Marx did not originally intend to elaborate the credit system in full². Nevertheless, Chapter 29 implicitly refers to the structure of a bank's balance sheet. For this reason, a theoretical reconstruction is necessary. This paper therefore employs accounting concepts and modern credit theory to analyse banking capital, rather than merely interpreting terminology.

Modern accounting also retains two meanings of “capital”—as assets and as equity or net worth. This highlights the importance of distinguishing Marx's concept of fictitious capital from the concept of capital in industrial production. By adopting an accounting perspective, differences between capital in industry and that in banking can be identified more clearly than from Marx's lengthy textual passages alone.

Modern Uno School approaches, which attempt to systematically reconstruct Marx's theory, adopt credit creation theory and clarify how financial assets are created alongside financial liabilities in banks. They also emphasise the distinction between short-term credit creation by banks and long-term securities markets. These approaches enable a clearer understanding of fictitious capital in Marx by focusing on banking capital, as distinct from industrial capital.

The remainder of this paper is organised as follows. Section 2 examines Marx's uses of fictitious capital, especially in Chapter 29. Section 3 discusses the difference between Marx and Fullarton regarding the concept of capital in lending. Section 4 analyses the concept of

² Marx 2016: 500; Moseley 2016: 28–29. It is also possible Marx himself changed his mind to elaborate the credit system (Balomenos 2025).

capital in industry and banking using an accounting perspective. Section 5 examines credit creation by banks and long-term securities in light of modern Uno School approaches. Section 6 concludes the paper.

2. “Fictitious capital” on the balance sheet

2.1 The balance sheet of banking in *Capital*

Many uses of the term “fictitious” appear in Chapter 29, where Marx employs it in multiple senses and implicitly adopts the concept of a bank’s balance sheet³.

“The capital which has these [i.e., cash and securities] as its tangible component parts can also be broken down into the banker’s own invested capital, and the deposits that form his banking or borrowed capital. Notes must also be added here, in the case of banks which have the right to issue them” (Marx 1981: 594).

According to his description (ibid.: 594–595, 600–601), this can be summarised in the following balance sheet.

Figure 1. Balance sheet of banking capital in Chapter 29

Assets	Liabilities and Net worth
Gold and Notes	Deposits
Interest-bearing securities	
Bills of exchanges	Notes
	Own invested capital

³ Alves (2023) points out “fictitious capital on both sides of the bank’s balance sheet” (Alves 2023: 405). This distinction has long been recognised in Japan. For example, Uno ed. (1968: 250–252) classifies it as long-term securities and credit creation.

Marx's uses of the term "fictitious capital" can be mapped onto the items of the balance sheet.

The most important classification is between assets and liabilities, as outlined below.

2.2 Fictitious capital on the asset side

On the asset side, three meanings can be distinguished from different perspectives: (1) consumption by borrowers, (2) fluctuations in securities' prices, and (3) non-material financial assets.

In meaning (1), securities such as government bonds are fictitious because the items purchased by borrowers have already been consumed (ibid.: 595). In this context, Marx cites a passage from Sismondi: "Government bonds are no more than imaginary capital, representing the portion of annual revenue destined for the payment of debts. A capital of equal size has been frittered away" (ibid.: 607). Thus, government bonds are qualitatively distinct from industrial capital from the perspective of the labour theory of value.

In meaning (2), long-term securities are fictitious because of the quantitatively variable relationship between their prices and the value of the underlying assets held by debtors, as mediated by changes in expected revenues, discount rates, and risk. However, this concept did not originate with Marx, as he notes, "[t]he formation of fictitious capital is known as capitalisation" (ibid.: 597). The concept was widely recognised in finance at the time⁴.

In meaning (3), the concept of fictitious capital can include all financial claims on the asset side, as Marx states: "[t]he greater part of banker's capital is therefore purely fictitious and consists of claims (bills of exchange) and shares (drafts on future revenues)" (ibid.: 600).

⁴ For example, for the present value of an annuity, see Baily (1810: 25–26).

This idea follows from a comparison with real or actual⁵ capital (ibid.), that is, physical productive assets.

Both meanings (1) and (2) can be grouped together as long-term securities, whose prices fluctuate. However, even short-term claims such as bills of exchange vary in price with changes in discount or rediscount rates, as well as assessments of risk between issuance, discount, and rediscount. The difference between long-term and short-term securities is therefore a matter of degree rather than kind, depending on the length of time between lending and repayment. Thus, meaning (3), which encompasses all financial claims, is reasonable: the term “fictitious” here refers to non-physical assets.

When focusing only on the asset side, fictitious capital exists in both industrial and banking capital. By contrast, examining the liability side makes it clearer why the term “fictitious” appears repeatedly in the analysis of banking.

2.3 Fictitious capital on the liability side

On the liability side, “fictitious” is related to the assets backing bank liabilities. In meaning (4), some deposits and banknotes are fictitious because banks do not hold gold corresponding to them (Marx 1981: 601, 641). Hereafter, this paper refers to deposits and banknotes as credit money. Credit money on the asset side of industrial capital corresponds to that on the liability side of banking capital.

In addition, Marx cites the adjective “fictitious” as used by others in *Capital*. One example is from W. Leatham, a banker in Yorkshire (ibid.: 526), and another is “fictitious credit” in the *Report from the Select Committee* (1858) (ibid.: 629). Both refer to fictitious credit created by

⁵ Both “real” and “actual” in the English translation correspond to “wirklich” in the German text.

discounting accommodation bills. Although contemporary financial practitioners sometimes used the term “fictitious capital” in this sense⁶, Marx himself does not adopt this meaning.

2.4 Fictitious capital as financial assets

The reason most components are labelled fictitious is that the criterion for what is real or fictitious is grounded in the material assets of industrial capital. In fact, Marx refers to banks’ assets as “tangible component parts” (ibid.: 595), meaning that they are viewed from the same perspective as industrial capital⁷. Once capital is evaluated according to the material criteria derived from industrial capital, most financial claims on the asset side and credit money on the liability side inevitably appear fictitious. Thus, Marx refers to most components of banking capital as “fictitious”, with the exception of banks’ own capital and gold reserve.

However, what is revealed here is not the illusory character of bank assets as such, but rather points to the inadequacy of an asset-centred concept of capital for analysing banking activity. In fact, Marx also recognises that “fictitious capital” is not capital but financial assets (ibid.: 598, 599⁸; Palludeto and Rossi 2022: 554). Although Marx expresses “interest-bearing capital”, which forms the conceptual basis of fictitious capital, as $M-M-C-M'-M'$ (Marx 1981: 461), banks do not lend their own capital as the starting money-form M . Treating financial claims as capital and applying a concept derived from industrial capital to banking capital leads Marx to interpret most components of banking capital as fictitious. This raises

⁶ See also Perelman (1987: 175–177).

⁷ This word is “sachlich” in the German text. It is also translated as “physical” or “material” in Marx (1981).

⁸ “All these securities actually represent nothing but accumulated claims, legal titles, to future production. Their money or capital value either does not represent capital at all, as in the case of national debts, or is determined independently of the real capital value they represent”. (Marx 1981: 599)

the question of where the bank's own capital is located, if not in financial claims. This question indicates that the issue lies in the concept of capital used to interpret banking activities.

3. Money and capital in lending: Marx and Fullarton

This section re-examines the concept of capital from the perspective of banking by analysing Marx's discussion of Fullarton. The discussion is crucial because it highlights a banking-specific conception of capital. Whereas Marx conceptualises capital from the standpoint of industrial capital, Fullarton does so from the perspective of banking practice. Although both authors distinguish between money and capital in lending, they do so on entirely different grounds: Marx focuses on distinctions within industrial production, whereas Fullarton focuses on the mechanisms through which banks extend credit.

3.1 Marx's distinction between money and capital in lending

As is well known, Marx distinguishes between lending as money and lending as capital. Using this distinction, he criticises Overstone, who argued that all lending from banks constitutes an addition of capital. Marx's criticism is as follows.

“The ordinary businessman discounts his bills to anticipate the money form of his capital and in this way keep the reproduction process going; not to expand his business or spend additional capital, but rather to balance the credit he gives with the credit he takes. If he does want to expand his business on credit, it is of little use to him to get bills of exchange discounted, as this simply converts money capital that he already has from one form to another; he would rather take out a fixed loan for a longer period” (ibid.: 555).

According to Marx, short-term credit such as bill discounting represents the anticipation of the transformation of commodity capital into money capital in industrial capital, which

corresponds to lending as money. By contrast, long-term loans can constitute an addition of capital, which corresponds to lending as capital⁹.

However, this distinction is formulated from the standpoint of industrial capital. How does this distinction appear from the perspective of banks? On this point, Marx cites at length Fullarton's work and attempts to criticise his distinction between lending as money and lending as capital (ibid.: 580–581 n. 90, 583–584). Marx notes that Fullarton uses the term “capital” “simply in the banking sense” (ibid.: 583). However, this suggests that Fullarton's view is helpful in understanding capital in this banking sense.

3.2 Fullarton's distinction between money and capital in lending

Unlike Marx, Fullarton distinguishes between lending with credit money and lending out of a bank's own capital. The former refers to lending through the issuance of credit money, whereas the latter arises when lending exceeds the limit of credit money that the bank can circulate and must therefore be covered by its own capital.

Marx summarises Fullarton's explanation (ibid.: 582–583), which is illustrated in Figure 2. The figure abstracts from reserve money, consistent with Fullarton's assumption that reserves can be obtained through the sale of securities. The following explanation is supplemented by modern banking concepts, particularly to incorporate deposits into credit money as bank liabilities.

⁹ The difference between short-term credit and long-term securities will be discussed in Section 5.3.

Figure 2. Fullarton’s distinction between money and capital in lending

2-1 Initial state

Assets	Liabilities
Securities	Capital

2-2 Normal lending

Loans	Credit money
Securities	Capital

2-3 If the bank lends more,

Loans	Credit money
Securities	Capital

2-4 When securities in reserve are replenished,

Loans	Credit money
Securities	Capital

At the initial stage, a bank holds securities as assets and capital as net worth (stage 2.1). The bank can extend loans by increasing its credit money, which costs it nothing (stage 2.2). At this stage, all loans correspond to credit money.

However, there is a limit to the amount of credit money that an individual bank can circulate. If this limit is exceeded, the bank experiences net payment outflows through clearing and settlement. It must then liquidate securities to obtain means of payment (stage 2.3). At this

stage, part of the loans appears to be covered by capital, which corresponds to lending out of the bank's own capital.

Although Fullarton's discussion stops at this point, the mechanism implied here can be further developed to clarify the concept of capital in banking.

Lending out of capital does not represent a normal state. Certainly, it may temporarily increase the profit rate because the interest rate on loans is generally higher than the yield on securities¹⁰. This effect is reversed once reserves are replenished to a sufficient level. Therefore, lending out of capital remains a temporary adjustment and is not the normal state.

From a modern banking perspective, Fullarton's "securities in reserve" can be interpreted as a second line of reserves for liability payments. As interbank markets and central banks have developed, banks hold eligible securities and can obtain reserve funds using them as collateral in cases of a temporary lack of means of payment.

Marx's interpretation above is broadly consistent with Fullarton's original explanation (Fullarton 1845: 98). Marx further argues that what is advanced is money, whether lending is made with credit money or out of the bank's own capital (Marx 1981: 583), and discusses cases of external gold outflows. However, it is important here to retain Fullarton's distinction between the two forms of lending—lending through credit-money creation and lending out of a bank's own capital. This distinction does not arise for industrial capital.

Fullarton's analysis thus suggests that bank capital cannot be located in assets in the same way as industrial capital. Rather, it resides in net worth both as a basis for credit creation and as a buffer that absorbs excess lending. Bank capital lies in net worth and is fundamentally

¹⁰ In modern finance, this situation can be interpreted as a case of portfolio rebalancing, where banks hold excess money and securities as reserves. This represents an unconventional situation. By contrast, Fullarton assumes a conventional situation in which reserves are kept to a minimum.

different from industrial capital, whose capital lies primarily in assets. This shows that the concept of capital derived from industrial capital cannot, on its own, adequately explain banking capital. This interpretation is consistent with the accounting distinction between assets and equity, which is taken up in the next section.

4. The meaning of capital: From the perspective of accounting

4.1 Dual meanings of “capital” in accounting

The term “capital” has been used to refer to items on both the asset side and net worth in accounting and economics (e.g., Nobes 2015). Classical economists regarded capital as a stock of means of production formed through the accumulation of labour. Building on this view, Marx defined capital as self-expanding value that metamorphoses among money, means of production, and commodities, all of which are allocated on the asset side. By contrast, accounting has usually defined capital as net worth, that is, the difference between assets and liabilities, a definition that has prevailed for several centuries.

Modern accounting also retains the two meanings of “capital.” For example, the IASB (2018)¹¹ treats the concept of capital in an independent chapter (Chapter 8) and adopts two concepts of capital. One is the financial concept of capital, which is synonymous with the net assets or equity of the entity (IASB 2018: para. 8.1). The other is the physical concept of capital, such as operating capability, under which capital is regarded as the productive capacity of the

¹¹ This is the latest version of the Conceptual Framework issued by the IASB (International Accounting Standards Board).

entity, calculated on the basis of, for example, units of output per day (ibid.). Both concepts are used to calculate profit under capital maintenance¹².

4.2 Profit division

The duality of the concept of capital leads to different ways of calculating profit, depending on whether it concerns industrial or banking capital. The criterion for analysing this difference is Marx's division of profit into interest and profit of enterprise (Marx 1981, Chapter 23). Extending this division, interest received by banks does not take the form of the re-division into interest and profit of enterprise as seen in industrial capital.

The following figure presents the consolidated income statements of GM (General Motors). As the company has both industrial and financial segments¹³, it is useful to compare them simultaneously within the same reporting format.

¹² In addition to these concepts, the IASB (2018) also refers to “capital” as long-term securities investment or share capital (ibid.: paras. SP1.5, 2.41, 2.43, 4.66), which corresponds to meaning (2) of fictitious capital.

¹³ Although GM's financial sector is not strictly equivalent to the banking sector, its profit structure is broadly similar to that of banking.

Figure 3. GM Consolidated Income Statements (2024), in millions of USD

Net sales and revenue	
Automotive	171,606
GM Financial	15,836
Total net sales and revenue	187,442
Costs and expenses	
Automotive and other cost of sales	151,065
GM Financial interest, operating and other expenses	12,972
Automotive and other selling, general and administrative expense	10,621
Total costs and expenses	174,658
Operating income (loss)	12,784
Automotive interest expense	846
Interest income and other non-operating income, net (Note 19)	1,257
Equity income (loss)	-4,675
Income (loss) before income taxes	8,519
Income tax expense (benefit)	2,556
Net income (loss)	5,963

Note 19. Interest Income and Other Non-Operating Income, December 31, 2024

Non-service pension and Other Post-Employment Benefits income (loss)	191
Interest income	967
Licensing agreements income	211
Revaluation of investments	-225
Other	112
Total	1,257

Source: Adapted from General Motors, Form 10-K (2024).

In the automotive sector as industrial capital, profit before Marx's division corresponds to operating income, defined as the difference between revenues and expenses. This profit accrues from physical assets and presupposes production prices and the general rate of profit, both of which are determined by physical input–output relations¹⁴. Operating income is not affected by the proportion between liabilities and equity capital; subsequently, profit is divided into interest expense and net income.

In the automotive sector, interest expense and interest income are excluded from the calculation of operating income. In addition, both differ in their characteristics. Interest expense corresponds to interest in Marx's division of profit, whereas interest income arises from the management of idle money¹⁵.

By contrast, in the financial sector, the difference between interest received and interest paid constitutes operating income, together with other items. Unlike in the industrial sector, this profit is no longer divided into interest and profit of enterprise.

Thus, industrial capital and banking capital differ in the calculation of profit. Industrial capital generates profit from assets independently of the structure of liabilities and equity, whereas banking capital generates profit through interconnected financial assets and liabilities.

This difference in profit structure reflects a difference in the concept of capital: what counts as “capital” within industrial capital is tied to productive assets, whereas within banking capital it is rooted in net worth¹⁶. Therefore, this distinction must be further examined within accounting theories of the firm, particularly the entity and proprietary theories (Müller 2014: 545; Schmidt 2018).

¹⁴ Although GM may earn monopoly profits, this issue is not relevant here.

¹⁵ For income related to the management of idle money, see Note of Figure 3.

¹⁶ See Section 3.2.

4.3 Entity theory and Proprietary theory

4.3.1 Entity theory and Marx's framework

The entity theory is consistent with Marx's concept of capital and his division of profit. It views the firm as an independent economic entity¹⁷, expressed in the accounting equation $Assets = Liabilities + Equity$, where both liabilities and equity are treated as external claims on the firm (Müller 2014: 545).

From this perspective, profit is distributed to both creditors and shareholders, and the distinction between liabilities and equity is reduced, since dividends resemble interest in that both represent payments for external funds (ibid.: 546). In fact, there are financial instruments that possess features of both debt and equity, such as preferred stock. Accordingly, both interest and dividends must be set at levels that enable firms to secure external funds.

Marx's statement that very large joint-stock companies such as railways yield only interest (Marx 1981: 372, 347–348) can be more easily understood from the perspective of the entity theory. Profits accrue from assets and are then distributed into interest and net income. Furthermore, the latter is divided into dividends and retained earnings. Retained earnings correspond to capital accumulation in Marxian terms, that is, the increase in assets consisting of means of production, commodity capital, and money capital. Thus, profit in industrial capital is divided as follows:

$$\textit{Profit from assets} = \textit{interest} + \textit{dividend} + \textit{retained earnings}$$

In Marx's framework:

$$\textit{Average profit} = \textit{interest} + \textit{dividend} + \textit{accumulation}$$

¹⁷ The current accounting standards support this view (IASB 2018: para. 3.8; Schmidt 2018: 137).

Consequently, from the perspective of the entity theory, dividends lose their character as a surplus above interest, potentially being compressed or fixed to the point where the entire distributed profit appears as interest alone.

4.3.2 Banking capital and Marx's framework

Marx's concept of capital, derived from industrial capital, is not consistent with banking capital, which leads him to regard most components of banking capital as fictitious.

Marx applies the irrelevance of the structure of liabilities and equity in industrial capital to banking capital as follows:

“It is clear enough that the actual components of banker's capital—money, bills of exchange and interest-bearing paper—are not affected by whether these various elements represent his own capital or deposits, the capital of other people. The subdivisions remain the same whether he pursues his business simply with his own capital or entirely with capital deposited with him” (ibid.: 594–595).

However, what holds for industrial capital does not necessarily apply to banking capital. As many banking practitioners, such as Fullarton, argue, banks can lend by creating credit money, which corresponds to newly created short-term claims. In this case, the structure of liabilities and equity becomes relevant to particular parts of the asset side. In fact, Marx states that “this fictitious capital of the banker represents to a large extent not his own capital but rather that of the public who deposit with him, whether with interest or without” (ibid.: 600), suggesting that he may recognise a relationship between financial claims and credit money. Apart from this relationship, equity capital in banking occupies a position distinct from liabilities. This feature corresponds to the proprietary theory, which places equity at the centre of analysis. The entity perspective alone is therefore insufficient.

4.3.3 Proprietary theory and banking capital

The proprietary theory is more consistent with banking capital. It assigns a central role to equity holders, as expressed in the accounting equation $Equity = Assets - Liabilities$, and focuses primarily on the increase in equity or net worth.

From this perspective, profit is calculated after payments to creditors and depositors, who are strictly distinguished from shareholders. In this perspective, shareholders are often regarded as the owners of the firm, and thus the theory provides an intellectual reference point for shareholder capitalism in the neoliberal era.

However, shareholders do not literally own the firm in the sense of full control (Sikka and Stittle 2019: 4); rather, they only possess specific rights. Nevertheless, this theory aligns closely with the logic of banking capital.

Through credit creation, banks' assets increase in a manner closely linked to credit money as liabilities, which are distinct from equity capital. As long as loans remain sound, equity capital does not play a significant role. By contrast, it becomes crucial in addressing excessive credit expansion, as noted by Fullarton, and in absorbing bad loans, as reflected in BIS capital regulation. In these cases, capital functions as a buffer against excessive lending. Thus, banking operations are fundamentally on the basis of equity capital and are therefore more consistent with the proprietary theory than with the entity theory. Whereas the entity theory corresponds to industrial capital, the proprietary theory reflects key features of banking capital: (i) the correspondence between financial claims and credit money, and (ii) the distinct role of equity capital.

In the next section, this paper integrates the concept of bank capital into a Marxian framework using modern Uno School approaches.

5. Reconstruction through the Uno School

The proprietary theory assigns a central role to equity capital. However, to apply this perspective to banking capital, it is necessary to clarify how bank liabilities, in the form of credit money, are interconnected with bank assets. This requires a further development of Marxian credit theory, as undertaken in the modern Uno School.

5.1 Criticism of Marx's presumption of "money capitalist"

The concept of "fictitious capital", which bears interest, appears contradictory, since capital is generally expected to yield profit. Kozo Uno criticised Marx's presumption of the money capitalist in credit theory, arguing that it is logically inconsistent to assume the existence of a capitalist who is satisfied with an interest rate below the general rate of profit. He maintained that credit should be explained not by specialised money lenders who lend out their own money, but by idle money that inevitably emerges during the turnover of industrial capital.

Therefore, industrial capital lends funds or purchases financial assets in order to manage idle money that cannot generate profit for a given period. In this sense, industrial capital is willing to accept an interest rate below the general rate of profit on the funds lent.

5.2 Credit creation

A developed credit system can create credit money beyond the idle money held by industrial capital. In recent years, theories of credit creation and endogenous money supply have become widespread. Conventional views in these theories describe credit creation as occurring "from nothing", or *ex nihilo*, which corresponds to meaning (4) of fictitious capital.

However, modern scholars of the Uno School ground credit money in commodity value (Iwata 2021, 2024). As long as credit money is issued through bank lending based on appropriate credit assessment, it is grounded in the borrower's ability to repay through the sale of commodities. The value of these commodities, in turn, is underpinned by the labour embodied in them and their production prices. This commodity-value basis holds whether credit money is convertible or inconvertible into gold. Credit money that is not backed by gold is not necessarily fictitious. This approach is consistent with the criterion used by nineteenth-century financial practitioners to judge whether credit is fictitious (see Section 2.3).

Furthermore, modern Uno School scholars argue that bank capital resides in net worth, as discussed in Section 3. Excluding financial claims and liabilities arising from credit creation, equity capital corresponds to monetary reserves, securities in reserve (Section 3.2), and physical assets such as equipment and buildings on the asset side. On the basis of equity capital, banking capital can accept interest rates on its assets below the general rate of profit, because banks do not normally lend out their own capital. Since the equity capital of banks is much smaller than their total assets, banks can still earn a rate of profit on their equity capital equivalent to that of industrial capital.

5.3 Short-term money credit and long-term securities

As discussed in Sections 2.2 and 5.1, industrial capital also holds different types of fictitious capital, that is, financial claims, on its asset side. Uno proposed a distinction between the short-term money market and the long-term securities market, which has been further developed by modern Uno School scholars.

Certainly, industrial capital holds idle money or reserve funds from various sources (Lapavitsas 2017: 131). However, such idle money is logically divided into short-term and long-term funds, depending on the duration of idleness during the turnover of capital (Iwata 2025). It is economically rational to distinguish between funds required in the near term and those not expected to be used for a considerable period. The former should be held in liquid, low-risk assets, which constitutes the short-term credit market. By contrast, the latter—such as depreciation and accumulation funds—can be invested in longer-term securities that yield higher returns than short-term interest rates. When invested in shares, they can tolerate temporary price fluctuations, since prices may recover over time even after falling. These investments constitute the long-term securities market, that is, meaning (2) of fictitious capital.

6. Conclusion

The multiple meanings of “fictitious capital” arise from Marx’s attempt to apply the concept of capital derived from industrial capital directly to banking capital. Under the material criteria derived from industrial capital, most components of banking capital appear fictitious; only banks’ own equity capital and gold reserve are not fictitious. The core of capital in banks lies in equity, or net worth. Whereas industrial capital generates profit from assets independently of the structure of its liabilities and equity, banking capital obtains a share of profit by creating financial assets closely tied to liabilities, on the basis of its own equity capital.

From a methodological standpoint, the accounting perspective highlights the distinctive features of banking capital. In industrial capital, the core of capital lies in assets; profit is divided into interest and profit of enterprise, which is consistent with the entity theory. By contrast, in banking capital, the core lies in equity, or net worth, and profit takes the form of

the spread between interest received and interest paid, which is consistent with the proprietary theory.

Furthermore, modern scholars of the Uno School have integrated credit creation theory into Marxian economics. Their approach makes it possible to explain the emergence of fictitious capital on both the asset and the liability sides, on the basis of commodity value. In addition, their distinction between short- and long-term credit enables a clearer differentiation among types of fictitious capital on the asset side.

This paper provides a framework for analysing banking capital and the expansion of finance in modern capitalism. The proprietary perspective on banking capital thus provides a theoretical basis for understanding “shareholder capitalism” and financialisation in the era of neoliberalism.

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