PROPERTIES OF MONEY AS FRAUDULENT CAPITAL

Voloshin V. S., Babenko A.V., Kapranova L.G. Properties of money as fraudulent capital.

There are many examples where unsecured (fraudulent) capitals and huge fortunes were cobbled together and went bankrupt. The peculiarity of this phenomenon lies in the fact that the lack of labor in the surplus capital makes it interesting for fraudulent schemes, helps to create fraudulent capital that does not contain any significant material component in the form of surplus product. In contrast to the real capital, fraudulent capital is not secured by human labor. Then the question arises - what is the basis of fraudulent capital profit? Literature gives an objective response. This is a deception, a reallocation of capital whose property is a source of labor unsecured by previous results, giving added value. The article shows that money as a commodity in financial transactions has an appeal for fraudulent capital. This practice occurs and is one of the reasons of local and global economic crisis. Over the time, this path will still lead the economy to a standstill.

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Voloshin V.C., Babenko A.V., Kapranova L.G. Властиности грошев, як обманивого капіталу.

Існує безліч прикладів, коли на звичайному папері сколочували незабезпеченні (обманиві) капіталі і величезні статки, зазнавали банкрутства цієї країни. Особливість цього феномена полягає в тому, що відсутність праці в додатковому капіталі робить його цікавим для обманних схем, сприяє створенню обманивого капіталу, який при появлі не містить в собі скільки – небудь істотної матеріальної складової у вигляді додаткового продукту. На відміну від реального капіталу, обманивий капітал не забезпечений людською працею. Тоді виникає питання – на чому засновано прибуток обманивого капіталу? Література дає об’єктивну відповідь. Це обман, тобто, непропорційно вкладений праці, перерозподілі капіталу. Грошам притаманна унікальна властивість – універсальний засіб кредитування, тобто властивість бути джерелом ще нереалізованої праці або послуг. Ніяка інша штучна система не здатна на прояв такої властивості - позичати незабезпечений попередніми результатами праці, що дає додаткову вартість. У статті показано, що гроші як товар у фінансових операціях мають привабливість для отримання обманивого капіталу. Така практика має місце і є одним з причин локальних і світових економічних криз. За часом такий шлях все одно призведе економіку в глухий кут.

Voloshin V., Babenko A., Kapranova L. Свойства денег, как обманного капитала.

Существует множество примеров, когда на обыкновенной бумаге сколачивались необеспеченные (обманные) капиталы и огромные состояния, подвергались банкротству целые страны. Особенность этого феномена заключается в том, что отсутствие труда в прибавочном капитале делает его интересным для обманных схем, способствует созданию обманного капитала, который при появлении не содержит в себе сколько-нибудь существенной материальной составляющей в виде прибавочного продукта. В отличии от реального капитала, обманный капитал не обеспечен человеческим трудом. Тогда возникает вопрос – на чем основана прибыль обманного капитала? Литература дает объективный ответ. Это обман, т.е. непропорциональное вложенному труду, перераспределение капитала. Денегам присущее уникальное свойство - универсальное средство кредитования, то есть свойство быть источником еще нереализованного труда или услуг. Никакая другая искусственная система не способна на проявление такого свойства – одолживать...
The role of money as a way to influence society as a whole and each individual in particular is great. Moreover, this effect can be both positive and negative. Money is often called the lifeblood of the economy. This emphasizes the universality of money, its equivalence in relation to all other benefits enjoyed and provided by mankind.

Here are the words of Ayn Rand, an American writer, who wrote the famous novel "Atlas Shrugged", "Until you realize that money is the root of the good, you will destroy yourself. When money ceases to be an instrument of relations between people, the latter becomes such an instrument in the hands of the others. For a long time money was a means of communication among people. And only a muzzle machine can replace it". She also wrote, "Money is the embodiment of good. One must love money selflessly, because money is a force. Money is freedom. Money is dignity. Money is a measure of success." These words emphasize the role of money in our society.

A great Dostoevsky, a writer and an outstanding analyst, but a Card player, a rake, a man who had deals with a lot of money - the fees, the money lost while playing cards, the amount won, wrote, "Money is coined dignity. If you were able to earn money in some limited conditions, you are a wonderful person, because the person’s dignity and worth are determined, among other things, by the amount of money he has."

Money is a universal measure of all total human welfare, of all the accumulated material resources. At the same time its distribution in a society is quite uneven. Therefore, the possession of a part of this resource makes its possessor a true leader in the community: biological, social, political, intellectual. In particular, this is debatable. But in general, for the society, the holder of funds is always considered to be a successful and prosperous person with leadership qualities.

Uneven distribution of money among the industrial entities makes them a source of dynamism and creativity in the system. It is due to the universality and the uneven distribution of money in the social production and consumption systems where some kind of synergistic effects take place opposing to dissipative ones, leading to the destruction of local and general economic systems. In this case, money has binding properties within the production and consumption systems simultaneously.

Such an obvious positive statement is offset by another extremely diverse property of money. In particular, its ultralarge accumulation can not be legal. This is a long-term historical experience and the theory of surplus value in its pure form. Therefore, crime and oppression with the purpose of obtaining profits are connected with money.

Money has long been a measure of well-being of a man. The presence of gold equivalent of money resulted in its accumulation and developed the statism of the money supply. As they say in this case, money does not work. Marx wrote: "The desire to accumulate treasure [as the quality acquired by human society - Ed.] is immense by its nature. Money has no borders, neither qualitatively nor in the form of money i.e. it is a universal representative of material wealth, because it can be converted directly into any product. But at the same time each real sum of money is limited quantitatively and therefore has limited purchasing power. This contradiction between quantitative and qualitative immensity makes money collector (... money ...) keep on taking the Sisyphean task of money accumulation. The same thing happens with the conqueror of the world who gains a new frontier with each new country "[1].

Paper equivalents of monetary money make its accumulation in the form of physical mass of money unnecessary, because the latter is an illusory substance in the operation "C - M - C -". This substance has value only in a quantitative sense, but not in a qualitative one. Marx wrote: "To keep gold as money, i.e. as an element of treasures creativity, it is necessary to prevent its circulation, its dissolution as a means of purchase in consumption. Therefore, the treasure creator brings the needs of the flesh as a sacrifice golden fetish ... The more he produces, the more he can sell. Industry, thrift and stinginess - these are, therefore, its main virtue; much to sell, little to buy - it's its whole political economy "[1]. "Illusoriness" in the commodity turnover makes it possible to avoid the "treasury", increases the dynamism of money, but at the same time develops another malignancy associated with the need of rapid turnover of money - usury, receiving "money out of money."

But money is also a factor of latent contradictions in society. And the essence of this contradiction is not always straightforward and clear. For example, there is no more generous motive of any literary work than contradictions associated with the distribution and redistribution of money between the people, its
Fraudulent capital as money created without surplus value has concentrated contradictions. One of the peculiarities of this phenomenon lies in the fact that the lack of labor in the surplus capital makes it impossible to find another acquisition, which could give additional income to the borrower equally with such an impact on the dynamics of economic relations as universal borrowed money. In social practice it is impossible to find another acquisition, which could give additional income to the borrower equally with money. Moreover, its long-standing practice has existed as long as financial system. K. Marx (XIX century) said: "Financial art is an "Alembic'', where an enormous amount of goods and livelihood is converted into money. Moreover, its long-standing practice has existed as long as financial system. K. Marx (XIX century) said: "Financial art is an "Alembic'', where an enormous amount of goods and livelihood is converted into money. However, in this series of universal categories money is in the first place. And this is another unknown phenomenon of money properties.

Money is inherent in another unique property of being a universal means of lending, i.e. the property of being a source of further unrealized labor or services. No other artificial system is able to reveal such properties – to lend labor unsecured by previous results, giving added value.

Borrowed money properties possess a very interesting quality that has not been completely studied, and that is associated with some invisible properties of money. No other unit belonging to a man can have such an impact on the dynamics of economic relations as universal borrowed money. In social practice it is impossible to find another acquisition, which could give additional income to the borrower equally with money. Moreover, its long-standing practice has existed as long as financial system. K. Marx (XIX century) said: "Financial art is an "Alembic'', where an enormous amount of goods and livelihood is converted into steam to remove this fatal extract. Money declares war to the whole human race ". [2]

According to Marx the basic layout of turnover "commodity-money-commodity'' provides a one-way movement of the universal equivalent of any useful products, while maintaining equivalence is the main value on a "C - M - C - M - C ..." scheme. But sometimes money can also become a commodity that has its par value, without intermediate equivalent - product. For example, the scheme of "M - C - M '' can be realized with a profit for the holder of the money. The person buys goods at one price and sells them at a higher price, making a profit on the exchange only. The same operations are carried out with the money without the scheme "C - M - C''. Here money plays an independent role of the goods.

The difference between "money commodity'' and material one is that getting some extra money as borrowed is not related with gaining surplus value. In other words, profit from operations with money and profit from the sale of manufactured goods - are completely different things. The first differs from the second by the lack of labor and the lack of propotional labour payment.

The peculiarity of this phenomenon lies in the fact that the lack of labor in the surplus capital makes it interesting for fraudulent schemes, helps to create fraudulent capital which does not contain any significant material component in the form of surplus product. This term - fraudulent capital has the right to exist, because it (contrary to real capital) is not provided by human labor. Then the question arises – what is the basis of fraudulent capital? Literature gives an objective response: this is a deception, a reallocation of capital disproportional to the labour performance.

Fraudulent capital as money created without surplus value has concentrated contradictions. One of them is that no manufactured goods are worth the part of this capital. This is a kind of inflationary money...
not backed by anything. Another contradiction is that this fraudulent capital drifting changes hands, it doesn’t longer belong to those who created it and who brings imaginary dividends to unprotected future owners.

The convenient formula [1], which gives an idea about the formation of the total mass of the means of circulation is

\[ M = \Sigma P / N \]

where: \( \Sigma P \) - is the total sum of the prices of all goods involved in turnover;

\( N \) - is the number of turnover of similar monetary units.

That is, the total price of the goods involved in turnover by the number of turnover gives the total mass of money.

Let us analyze this scheme when money appears in the form of commodity "M - M - M ... ". Then the equivalence of each future transaction is broken, because the total amount of money after each turnover grows. And the amount of the price of money should increase with the increasing mass of money at \( N = \text{const} \). Rise in prices of money is only possible in the system of usury or credit-deposit banks.

This is the reason for the existence of objective systems of fraud, pyramid schemes and other financial tricks facilitating such phenomena as getting rich quickly, schemes of illogical concentration and dispersion of capital that are not related to normal financial operations or production. Moreover, this phenomenon is not a creation of present economy. We have an institutionalized and programmable forced system of future economic crises and financial turmoil, political and military conflicts over the vast time period. Let us recollect history.

In the 17th century with the birth of the bourgeoisie the world learned not only about the growth capital inflows. The Dutch "Tulip Fever" of 1634 and forthcoming years became one of the first large-scale speculative attacks, having nothing in common with the economy of direct reproduction, when by artificial rise in prices for flower bulbs not reflecting their real value, to the detriment of all other crafts in the country there was a collapse of financial institutions of the whole state and mass ruining of people. The reason for this is the deception and self-deception, the proportion distortion in value of the flowers in relation to other tangible material values, which are based on large human labour. It is a kind of mismatch to the real equivalent of human labor. For example, one tulip bulb "Semper August" or "Admiral Lifken" in the XVII century in Amsterdam was worth 680 barrels of beer or 200 pigs, and sometimes the whole house. The pyramid broken once ruined the whole industry and handicrafts in the Netherlands.

The same thing happened in 1920-1930 in the United States where instead of tulips were securities with an artificially inflated price not reflecting their real value and company assets that issued these securities. The result was a massive devastation of a huge number of businesses and the crisis in the country. History has many examples when unsecured (fraudulent) capital and huge fortune was accumulated and lots of countries went bankrupt. In the XVII century France suffering from the excessive cost of the royal court and war, was the first to release banknotes secured by material value on the initiative of the Scotsman John Law in addition to the metal money. And banknotes were printed: first, three times and then seven times exceeding the total product in the whole country. Since there was no equivalent of economic growth, the result was speculation and then inflation. Thus, unsecured capital is obvious. But the accompanying results - money - received and derived from the financial turnover of money and valuables, allowed to concentrate large but fraudulent capital individually.

Russia has its own examples of the 17th century financial pyramids. "Copper Riots" of the XVI century is one of the manifestations of such financial schemes in history, when the coined copper penny was equated to the silver currency without economic support. There were people who were interested in unsecured coinage with the help of which real values were acquired. These actions resulted in an incredible inflation, money rate fell by 17 times. Phenomenal pyramids of unsecured capital were created by the Prince Alexander Menshikov during the reign of Peter the Great. Using unlimited administrative resources, Prince deduced huge financial resources from the taxation system and removed them from Russian economy. It was the capital 1.5 times more than the entire budget of the country. The result was the same - inflation, economic crisis, impoverishment of the people, but in a powerful absolutism.

England of primary capital is the home of typical financial pyramids and systems of money fraud, voluntary advance payments, allowing to concentrate the released borrowed capital. A huge number of dubious companies producing even greater number of shares not being supported (nobody pays attention to it, as everything was done according to the statesmen's resolution) by valuable assets of companies, a strong advertising campaign - is the basis of financial fraud where the largest unsecured capital was built and thousands of artisans and entrepreneurs went bankrupt. There are many examples. One of them is the shares of the British "South Sea Company", which was to establish trade with South America and to negotiate with Spain about entering the market. Of course, the Spanish king had no need to share the profits with the private
company which, nevertheless, having received the money of gullible seekers (of gratuitous income as unsecured paper signs), vanished safely.

In 1880 French shares of "Panama Canal Company" were the basis of another international financial speculation, when the money of depositors was gradually withdrawn from circulation, and the shares were not secured with real capital. As the channel was not being built, there was no surplus value. As a result, there were endless issues of company shares, their depreciation. This case is so interesting because it is the first example of financial fraud in the history with another scheme - winning bond loan. This is another financial operation not provided by human labor and surplus capital, which was widely used in the Soviet Union in terms of absolute power.

One of Russian writers aptly named all these pyramids as a company organized to obtain stable high profits from an unknown source, which operates under the same rules, regardless of time and place.

A special article of fraudulent capital is the sale of auctioned state-owned facilities in the former Soviet Union. The basic scheme is understating the actual value of the property for various reasons and its implementation through shell companies or pocket banks.

The sale of "Krivorozhstal" - the companies with annual revenues of $2.5 billion. - for $4.5 billion, could be carried out by any adventurer who managed to find the appropriate bank loan with an annual interest rate of not more than 50%. The project pays for itself in 3-4 years. There is no need for this to be a businessman like Lakshmi Mittel. In addition, it was a bad bargain. For example, the real price of Moscow AvtoZIL was $7.6 billion.

The sales (by Russian mortgage auctions) of "Norilsk Nickel" - the company with annual revenues of $1.5 billion. and 35% of world nickel reserves, 55% - palladium, 20% - platinum, 10% - copper, 14% - cobalt for ridiculous $180 million. is a financial gamble of the century, which has not been assessed yet. The oil concern "SIDANCO" was sold at the auction for $130 million.; 51% of "Sibneft" shares with an annual revenue of $1.8 billion were sold for $100.3 million., and 40% of "Surgutneftegaz" profitable shares were sold for $300 million. 15% of the shares of Chelyabinsk Metallurgical Plant "Mechel" - for $13 million. 15% of Novolipetsk Metallurgical Plant shares - for $31 million, 23% of the Murmansk Shipping Company’s shares - for $4.1 million., and 20% of Novorossiysk Shipping Company’s shares - for $22.6 million. The buyers were: "ONEXIM Bank", Menatep Bank, IFC, commercial pension fund and others. This list can be continued. In the mid 90s the total auctions in Russia sold large enterprises with residual cost of trillions dollars totaling not more than $5 billion. At that time a large-scale privatization in small Hungary gave only $3 billion.

These are examples of how the economic essence is suppressed by strong-willed decisions inconsistent with the real cost and the lack of legislative rules changing them into political expediency. The result of this is the flow of money, unsecured by goods - fraudulent capital. The essence of fraudulent capital in this case does not change, as the profit in the form of unaccounted difference in real and collateral (auction) cost is the capital, having no results of human labor and other material assets.

If financial institutions do not have comparable surplus capital which includes human labor - it is nothing but the so-called fraudulent (deceptive) capital. A surplus value of produced assets can be considered objectively as fraudulent capital unsecured by income.

Our goal is to show that money as a commodity in financial transactions attracts fraudulent capital. This practice occurs and is one of the reasons of local and global economic crisis. However, even being aware of this role of money, the international community not only tolerates, but on the contrary contributes to the development of this field of economic activity, attracting a huge number of people, the results of their work, their secured capital in order to convert it into unsecured fraudulent (deceptive) capital. However, they understand that this way will soon lead the economy to a standstill.

References:

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