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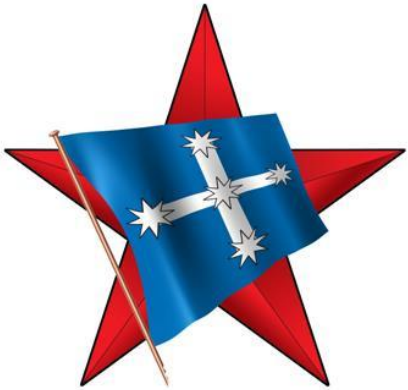

Financialisation: Fictitious capital and its real impact.

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On March 24, 2026, just 15 minutes before President Trump announced via social media that he was going to extend a five-day delay to attacks he had planned on Iran's energy infrastructure, investors engaged in a massive half a billion dollar sale of oil and gas shares.

The shares were sold at a higher price than they would be valued at after Trump's announcement, raising questions about the corrupt practice of insider trading. In a matter of minutes, savvy traders made windfall profits of millions of dollars.

But none of those dollars resulted from any productive activity in the real economy, although as "money" they were symbols and tokens of value.

Shares are a fictitious form of capital which represent a claim on future profits (realisation of surplus-value) but are divorced from the process of production. Those claims can be traded during which the value they represent can be blown out of all proportion to the productive economy, or burst spectacularly in a stock market crash. Fictitious capital is parasitic and speculative. Stock markets and more contemporary digitalised trading platforms are giant casinos where real money is taken out of the circulation of capital and owners of wealth, as the personifications of capital,

receive income without direct involvement in production.

Marx on fictitious capital

Fictitious capital may be fictitious, but it has a real impact on things that matter to Australian working people, such as interest rates and housing.

Marx wrote about fictitious capital in Volume 3 of *Capital.*

This was the volume which existed only in notebook form when Marx died in 1883, much of it written after the publication of Volume 1 in 1867 and throughout the early 1870s, before illness put an end to Marx's active research and writing.

After Marx's death, Engels edited and published Volumes 2 (in 1893) and 3 (in 1894).

In his Preface to Voume 3, Engels says that he found editing Volume 3 much harder than editing Volume 2. He had to work from an "extremely incomplete draft" and that the "greatest difficulty was presented by Part V which dealt with the most complicated subject in the entire volume." It is in Part V that Marx endeavoured to explain the phenomenon of fictitious capital.

Let's take a step backwards for a moment. For Marx, capital was only productive when it was used to employ workers whose labour-power was used to make saleable commodities during which time value was added.

Otherwise, it was an unproductive hoard whose latent real potential could actually lose value if inflation impacted the prices of commodities which it may later be required to purchase. Capitalists are rarely misers; hoarded capital at best is held in reserve until the opportunity for its use in expanded creation of surplus value presents itself.

A person must seek to prevent the loss of value of his/her money hoard (or revenue) by seeking to expand its value. If there is sufficient money it can be directly used as capital in the employment of workers. Their wages are the price of timed units of their labour-power and necessary for their maintenance as workers. If production is arranged so that they cover the cost of their wages in 4 hours, but they continue to work for another 4 hours, then those additional 4 hours are a surplus to the labour-time necessary to create the value needed to furnish their wages, and the value created in those 4 hours is a surplus-value. This applies not just to individual workers but to social labour generally. When the commodity is sold, they hope its value is realised and includes the value needed to cover the cost of its production, and the surplus value which the capitalist now receives as profit.

If the owner of money cannot purchase sufficient other means of production (raw materials, machinery) to directly employ workers, then money can be made available to capitalists as a loan for a discreet period of time during which it is continually utilised in the creation

of surplus value. Such money, for the period of the loan, becomes capital, and at the end of the loan period can be reclaimed by its owner with a share of the surplus value added as interest.

Very soon the personal involvement of the owner of money-capital and the capitalist began to take place through deposit institutions (banks) with their ability to offer larger amounts of combined (Marx calls it "socialised") capital with surplus value now including bank interest (paid by the capitalist) and depositor interest (paid by the bank). The US asset management firm Barings, which currently has more thanUS$481 billion in assets under management, began as textile makers in London, and had to become merchants to sell their stuff and then became bankers to deal with commercial credit. (They achieved notoriety in 1995 when Barings Bank, the oldest investment bank in Britain, collapsed as a result of unauthorised trading by its head derivatives trader in Singapore, Nick Leeson, who was imprisoned for six and a half years in Singapore. It was then bought for £1 by ING Group, a Dutch bank.)

However, when he looked at the component parts of bank capital, as he does in Part V, Marx observed that a process of "capitalisation" (we would call it "financialisation" today) took place which separated money-capital from the productive economy in which surplus value was created. Such non-productive money-capital he called "fictitious capital".

Several reasonably lengthy quotes from Part V are required here. (We won't quote page numbers from the several different print editions of Volume 3 of *Capital*: the passages are easily found on www.marxists.org.) In the first, Marx refers to the apparent separation of capital from labour-power in the payment of interest:

> The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and the conception of capital as something with automatic self-expansion properties is thereby strengthened.

This connection is further lost if the title to a share of stock in a company is on-sold:

> A may sell this title to B, and B may sell it to C. These transactions do not alter anything in the nature of the problem. A or B then has his title in

> the form of capital, but C has transformed his capital into a mere title of ownership to the anticipated surplus-value from the stock capital.

Marx continues, showing how such fictitious capital lends itself to speculation:

> The independent movement of the value of these titles of ownership, not only of government bonds but also of stocks, adds weight to the illusion that they constitute real capital alongside of the capital or claim to which they may have title. For they become commodities, whose price has its own characteristic movements and is established in its own way…The market-value of this paper is in part speculative, since it is determined not only by the actual income, but also by the anticipated income, which is calculated in advance…Their value is always merely capitalised income, that is, the income calculated on the basis of a fictitious capital at the prevailing rate of interest…All this paper actually represents nothing more than accumulated claims, or legal titles, to future production whose money or capital value represents either no capital at all, as in the case of state debts, or is regulated independently of the value of real capital which it represents.

Writing perhaps in the early 1870s, Marx noted that "The greater portion of banker's capital is, therefore, purely fictitious and consists of claims (bills of exchange),

government securities (which represent spent capital), and stocks (drafts on future revenue)… the money-value of the capital represented by this paper in the safes of the banker is itself fictitious…"

Marx was correct to locate the source of fictitious capital in the practices of banks. However, speculation on fictitious capital quickly became the specialisation of financial trusts, as Engels observed in a footnote twenty years later: "[This doubling and trebling of capital has developed considerably further in recent years, for instance, through financial trusts, which already occupy a heading of their own in the report of the London Stock Exchange…FE]"

Marx (and Engels) referred to financial claims that represent a title of ownership to future surplus value, as fictitious capital. Furthermore, those titles themselves became tradeable commodities, the market-value of which was rooted in speculation. Their market price (or exchange value) fluctuates independently of the creation of surplus-value in the real, or productive, economy. The commodification of these titles of ownership, and their resulting sales and changes of ownership, creates layers of claims to the same underlying value in the value of the titles. Some economists today also call this a self-referenced expansion of value, because it is referenced against nothing else other than its own nominal value.

Monopoly capitalism and finance capital

The economic laws of motion of capital saw bank capital and industrial capital (productive capital creating surplus-value) merging into capital used for investments, or finance capital. Engels, in the footnote cited above, had seen its emergence in the 1890s; Lenin saw its transition to a new stage of capitalism in the first two decades of the 20th Century, and wrote about it in his *Imperialism: The Highest Stage of Capitalism* in 1916, drawing partly from the work of Austrian economist Rudolf Hilferding. By this time, banks and industry, both grown large and their capitals centralised and concentrated, had created a financial oligarchy through interconnected ownerships and shared directorships. Instead of separate sectors (banking and industry), this higher stage of capitalism was characterised by the merging of power structures such that a small group of financiers effectively controlled large parts of the economy. Because of their control over credit, they could decide which industries to expand and which to let die, and could directly affect economic policies on tariffs and regulatory measures. The "holding system" in which large companies owned and controlled multiple smaller ones meant "it is possible with a comparatively small capital to dominate immense spheres of production", wrote Lenin.

Continuing Marx's observations about the separation of capital from production, from the ongoing creation of surplus-value, Lenin wrote:

> It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that a small number of financially "powerful" states stand out among all the rest.

Lenin's analysis did not contradict, but rather strengthened and confirmed, Marx's views of fictitious capital. Lenin used the term "finance capital" to refer to what Marx had called "fictitious capital", but both terms referred to the separation of ownership of capital from production, in particular, through the purchase of stocks (shares) and the issuing of securities (financial claims like stocks and bonds that represent titles to future surplus value, rather than actual productive capital.) The on-sale of stocks and securities added further layers to those claims and further inflated their paper value. Lenin said "The issue of securities… exceeds many times the actual capital of enterprises…"

Like Marx, Lenin noted the parasitic nature of finance (fictitious) capital, writing: “The separation of the ownership of capital from its application to production… the transformation of the industrial capitalist into a mere manager… and the rise of a class of people living on ‘coupon-clipping’…”

These trends towards financialisation continued for another half a century, with export of capital, as Lenin had observed, more important to the financial oligarchy than export of commodities.

Bretton Woods and finance capital’s demands for deregulation

After World War 2, however, there was a period of relative prosperity in the US heartland of global capitalism. The US had emerged quite unscathed from World War 2 and believed its own propaganda about having ushered in “the American Century”. This delusion was realised in the Bretton Woods Agreement of 1944, when more than 40 capitalist economies were tied to the US dollar. It required countries to guarantee convertibility of their currencies into U.S. dollars with the dollar convertible to gold bullion for foreign governments and central banks. However, the system had fallen apart in 1971 when the US suspended the convertibility of its dollar into gold, making it a fiat currency with floating global exchange rates.

Volatility in the exchange rate between currencies coincided with surging inflation and unpredictable

interest rates. Big exporters face losses through swings in the value of currencies; banks and other financiers faced losses through changes in interest rates.

They needed ways to hedge their bets against losses in the value of their claims to future surplus-value; as fictitious as those claims were, the losses were real as expressions of paper values. Moreover, they were restricted in countries which had adopted measures to control their activities in the overall interests of capital. In many countries there were interest rate caps and separation of commercial and investment banking, making it hard to raise capital and take certain kinds of risks.

By the early 1970s, computers were making it possible to calculate risks and manage different types of investment. Opportunities existed for finance capital to enlarge its value without reference to production, so demands were raised for deregulation, or the control of regulation by the brokers, of what could be done with finance capital. This deregulation enabled banks and other financial corporations to create new types of title to claims on future surplus value.

Nor surprisingly, innovative practices came firstly from changes to the currency regimes after Bretton Woods. The first financial futures introduced in 1972 by the Chicago Mercantile Exchange (often associated with early developments later tied to firms like TPG in broader financial history discussions) were currency exchange rate futures.

The CME created the International Monetary Market (IMM) on December 1971, and foreign exchange futures was started on May 16, 1972.

Specifically, the CME launched futures on major foreign currencies through its International Monetary Market (IMM). These included contracts on:

- British pound
- Canadian dollar
- Deutsche mark
- Japanese yen
- Swiss franc

This was a major innovation following the collapse of the Bretton Woods system, which created demand for tools to hedge exchange-rate risk. So, the first financial futures were foreign currency futures contracts, marking the beginning of modern financial derivatives markets.

Innovative financial instruments

A derivative is a financial instrument whose value is derived from an underlying asset on whose future creation of surplus-value various levels of claim may exist. The underlying assets are commonly stocks, bonds, commodities and interest rates. They represent what Marx defined as fictitious capital, namely, claims on future price movement or income streams separated

from productive activity, from the creation of surplus-value.

The complex layering of claims upon claims on the same underlying asset, in derivatives, corresponds to that autonomation of capital noted by Marx when he said, “the conception of capital as something with automatic self-expansion properties is thereby strengthened”.

During the 1980s, there was a rapid expansion of futures and options (contracts which give the holder the right, but not the requirement, to buy and sell a particular quantity of an underlying asset at an agreed price and time), and the introduction of stock (shares) index futures.

A major development came from the financial wizards at JP Morgan Chase, the largest US and global bank. In 1987, one of their finance professors created what were called Collateralised Debt Obligations (CDOs) which sought to protect banks from risks to credit.

The first CDO pooled high-grade corporate bonds and offered investors a way to invest in a diversified credit product rather than in individual bonds. The diversity embedded in CDOs was based on creating different tranches, or layers, of risk inherent in the pooled bonds. The senior tranche contained the lowest risk, got paid first, but with lower interest. The mezzanine tranche (middle layer) had medium risk and paid medium interest. The equity tranche had the highest risk, was the last to get paid, but had the highest interest potential.

The banks were able to offload risk to investors, and investors could gamble on exposure to different levels of risk and different levels of return.

Before we look at other types of derivatives, or fictitious capital, it is worth spending a bit more time on CDOs and how they precipitated the 2008 financial crisis.

Banks began to offer mortgage-backed securities in addition to corporate bonds in their CDO packages. In the US, most mortgages are issued at fixed rates of interest, unlike Australia, where most are variable rates.

US banks had issued many mortgages to home purchasers that were classified as subprime or high risk. Individually, each mortgage was small, but packaged together comprised a huge layer of debt.

Ratings agencies often gave AAA ratings to senior tranches of mortgage-backed securities, and these rested, like a house of cards, on weaker, riskier sub-prime mortgages in the equity and mezzanine levels. When US homeowners defaulted en masse during 2006-2008, the equity and mezzanine tranches collapsed, and so did the senior tranches and the banks in which they originated.

The inflated claims on future surplus value (paid by home purchasers from their share of surplus value to banks as interest) packaged and repackaged through a series of sales to investors, were far beyond what the real, productive economy could sustain, and the entire house of cards collapsed in a massive destruction (devalorisation) of fictitious capital, with major banks

and financial institutions, deemed “too big to fail” having to be rescued by publicly-financed bail-outs. According to the Investopedia website, the Troubled Asset Relief Program (TARP) of 2008 authorized the United States Treasury under President Barack Obama's administration to spend $700 billion of taxpayer money to rescue these firms, leading to widespread criticism of capitalism for privatising profits, but socialising losses.

The same JP Morgan Chase bank that gave us CDOs also, in 1994, created Credit Default Swaps (CDS). It had loaned money to big corporations but was concerned about potential defaults whose losses it would have to carry. Instead of holding potential losses on their balance sheets, they sought financial instruments through which to transfer the risk.

The CDS was like an insurance contract through which JP Morgan sold the risk to a company such as the American International Group (AIG) which collected fees from the loan providing all was well, but had to cover the losses if the borrower company defaulted. The CDS was therefore a means by which risk was separated from an ownership already separated from real productive activity. The market for CDSs grew massively throughout the 2000s, becoming more and more complicated and speculative, and contributing to the house of cards collapse of 2008. This was a financial crisis of overproduction, the overproduction of fictitious capital precipitating, as Marx had explained, market crises that required a resetting of the relationship between fictitious capital and surplus-

value creation by the massive destruction or wiping-out, of the former.

The Bank of International Settlements (BIS), as the central bank of central banks, tries to monitor the value of derivatives trades, and particularly of those that are unregulated, or Over the Counter (OTC) trades. These constitute the vast majority of derivatives trades. The BIS annual valuation of derivatives is expressed in notional amounts and gross market value. The notional value is the sum of all the various trades on the same underlying asset, so this number becomes very large and never less than hundreds of trillions of dollars. The gross market value reflects the value of the underlying asset, so that a $100 million interest rate swap may in fact be based on a $2 million underlying asset.

During the 2007-2008 financial crisis, the notional value of derivatives was said to have exceeded $1 quadrillion, but this was an attempt under crisis conditions by financial media and think thanks to calculate OTC derivatives' notional value based on derivatives including interest rates, foreign exchange, commodities and credits. The BIS figures for 2007 were $683 trillion, and the same for 2008. The highest BIS valuation of OTC derivatives was last year's (2025's) $846 trillion, pushing towards, but not quite reaching the quadrillion. As global GDP for 2025 was estimated at roughly $105-110 trillion by the World bank and IMF, OTC derivatives trades appear to exceed by many times the value of the real economy. Using the gross market value estimate of

derivatives lowers that ratio. Regardless, this perfectly illustrates Marx's contention that the appearance of wealth can vastly exceed the true value, which is at the heart of fictitious capital and arises from its claims on exchange relationships rather than productive use of real capital.

Following the 2007-2008 recovery, finance capital continued to experiment with ways to make derivatives trades faster and more profitable, utilising split-second algorithmic computations and newer financial instruments including CDOs of CDOs (or CDOs squared) and synthetic derivatives, the details of which need not concern us here. And that's not to mention cryptocurrency, which we will come to later, a form of fictitious capital on steroids.

Let's see how fictitious capital impacts on interest rates and housing in Australia.

Interest rates

Central banks like the US Federal Reserve and the Australian Reserve Bank control the movement of interest rates. That places them at the centre of the derivatives market, and particularly to that part which is interest rate derivatives. These are the dominant form of derivatives, making up 75-80% of the total. These contracts are claims on interest flows, themselves a claim on future surplus value. This is typical of the layering Marx described: fictitious capital resting on existing fictitious capital.

Changes in interest rates affect government debt servicing, mortgage payments, corporate borrowing and asset valuations (stocks/shares, housing, bonds). So, when interest rates move, trillions of dollars of fictitious tradeable claims can be affected.

The 2025 record notional value of derivatives arose from the global trade in interest rate risk which automatically expands as borrowers seek to hedge against higher refinancing cost, using derivatives to lock in borrowing costs and protect against further interest rate rises. More contracts mean more layering on top of existing fictitious capital and increases in the national value of derivatives. This adds to the illusion, inherent in derivatives, that money can generate more money through financing, not production.

Housing

Changes in interest rates have an immediate impact on the housing market here where most mortgages are written on variable, not fixed, rates of interest. House prices are high relative to incomes and there is the factor of speculative investment where capital owners see rental income as the reason for housing, as opposed to wage-earners who see it as essential for residential stability. When the RBA raises interest rates, mortgage payments rise and disposable incomes fall so there is an increased risk of defaults.

The strong market in housing means that house prices are seen by market movers as claims on future value that

may or may not be realized. Prices are driven by future expectation and credit; financial markets create multiple layers of claims on the same property, so house prices are not just based on current income or rent levels, but on capitalised expectations of future value, and those prices capture the notional value of the fictitious capital on which they rest. Not just the speculators, but even first home buyers are driven by the logic that “It’s worth buying now because prices will only rise later” which reflects the logic of fictitious capital, where value depends on anticipated future value.

Policies that favour speculators promote fictitious capital. Negative gearing (deducting losses against income) and the tax discount on capital gains, encourage speculative investments and the expansion of fictitious capital as layers of claims on debt related to housing as an asset, repackaged and sold to satisfy expectations of further price increases. Social democracy in the form of Labor Party federal and state governments tries to sell the expansion of housing supply as the solution to the housing problem, but supply that is gobbled up by speculators, and mortgage and rental payments that are beyond the capacity of many wage-earners, will not solve the problem.

The problem involves banks using interest rate swaps and wholesale funding markets to hedge against risks to their balance sheets. Mortgage risk is indirectly linked to global flows of capital as the Big Four banks borrow in global markets (mostly in US dollars or Euros). This

requires Australian banks to hedge against currency risks with Foreign Exchange derivatives and to hedge against global interest rate risks with swaps (CDSs). Thus, the global derivatives network impacts the Australian housing market, with its layering of real economy assets (houses and labour-power expended in construction and provision of food and furnishings), on top of which are mortgages (claims on household income as a share of surplus-value), and the packaging and repackaging of those claims (derivatives as swaps, hedges and other financial instruments). Thus, increases in interest rates leading to mortgage stress require banks to hedge against risk, which expands the supply of derivatives and the fictitious capital embedded in them.

If we look at the Big Four banks in this country, (Commonwealth Bank, Westpac, National Australia Bank and the ANZ), the value of their residential mortgages in 2024-2025 was $2.2 - 2.5 trillion. However, the total value of their derivatives was $15 – 25 trillion, or 8 to 10 times the value of the mortgages.

This perfectly illustrates Marx's concept of fictitious capital where the base is houses, the first layer of fictitious capital is mortgages (claims on income from a share of the mortgagee's revenue from surplus-value), and the second layer is derivatives (claims on expectations of how those mortgages will perform).

Reliance by banks on derivatives ties Australian housing to global interest rate movements and to global currency markets so that houses are not simply a personal asset

but part of a multi-trillion-dollar system of layered derivatives. There is always the potential for a derivatives-driven expansion of a housing bubble to reach the point where “correction” (crisis) sees a fall in house prices as a devaluation of fictitious capital. This is always likely as the expansion of fictitious capital, in contradiction with the productive use of capital in the real economy, can no longer be restrained by population increases (including migration) which help sustain demand, and stable employment, which helps sustain mortgage repayments. Rising unemployment and high interest rate could together trigger a bursting of the bubble. Nothing in Marx says that collapses of asset bubbles must be immanent; rather Marx saw capitalism with its vast expansion of fictitious capital as prone to corrections (crises) when expectations of money creating money independently of production run too far ahead of actual values being produced by human labour-power.

Finance capital and the capture of Australian water

One of the most egregious examples of the destructive effect of finance capital on the lives of people in the productive economy is that of Australian water held in the Murray-Darling Basin. This is part of a global theft of public commons by giant multinational financial corporations which have forced their way into a deliberately constructed private water market that allows them to speculate with their surplus capital.

The seizure of freshwater supplies contained in rivers and the Great Artesian Basin by finance capital investors,

miners and gas extraction companies mirrors the wave of privatisations and corporatisations of city and state water utilities that occurred in the mid-1990s. The major beneficiaries of the latter included French companies Suez Lyonnaise des Eaux and Vivendi, the UK's Thames Water and Australia's Lendlease.

Water trading followed a June 1995 decision to establish the Murray-Darling Cap to put a limit on the amount of water that could be taken out of the Murray-Darling River catchments. Ostensibly a response to concerns about environmental flows, the Cap came with a new system that allowed irrigators to trade their permanent entitlements to waters taken from the Murray-Darling, and also to trade annual allocations taken under those entitlements.

It had always been the case that farmers as irrigators had annual entitlements to a certain volume of water, and that occasionally Farmer A with a bit too much water that year would trade some to his neighbour, Farmer B, who needed a bit more, for a slab of beer or some friendly equivalent. The Cap initially restricted trade to owners of land irrigated by the Murray-darling Basin waters.

The trade in water took on a different aspect when state and federal governments separated water as a tradeable commodity from the entitlement to it vested in land ownership by farmers. This was another deregulation demanded by finance capital and duly delivered by Kevin Rudd's Labor government in July 2014 in that brief period

between the government of Julia Gillard and Tony Abbott.

Investment funds with active interests in water emerged after 2007, when investors no longer had to own land in the Murray Darling Basin to be eligible to buy and sell its water rights. Water was no longer a common good, that is, a resource deemed to be under the ownership of all Australian citizens and available for their use and enjoyment, but a private commodity, “blue gold” as it was quickly dubbed by corporate investors. And it was no longer a simple commodity, but a financial instrument which could be held, in the case of entitlements, as a security against mortgages.

As of 2024, foreign investors held the rights to 1 in every 8 litres, or about 13% of allocated water entitlements. Those foreign owners of our water came mainly from Canada (mainly pension funds), the US (mainly agricultural funds and private equity), the UK (similar to the US) and China (mainly state-owned eg the COFCO Group).

The financialisation of Australian water created one of the most advanced water markets in the world, something that should cause those who created it to hang their heads in shame. It is not that water itself is owned, but rather that it becomes a tradeable commodity as a means of production. (It is not a means of production if it is used for personal consumption or for sustaining environmental flows.)

In Australia, titles to water enable investors to trade an asset without having to use it productively themselves. Fewer and fewer Australian farmers own the water they use but must pay rent-like costs to access it. Fewer small and medium-sized farmers mean some rural towns shrink as farming becomes more capital-intensive and run by foreign mega-agricultural corporations. The health of rural communities is of no interest to water traders.

The total capital value of water entitlements (permanent water rights) in the Murray–Darling Basin is about A$31–32 billion in 2025. This represents the asset value of all tradeable water rights, not just annual trade turnover. The latter is variable, depending on rainfall and drought cycles, impacts of government buy-backs, and manipulation of the market by traders who have data-mined everything to be known about farmers' requirements and use that to control the market. It can vary from around A$2 billion in a typical year to as much as A$8 billion during a year of low rains and drought.

All of this is detailed in Scott Hamilton and Stuart Kells's "Sold Down The River: How Robber barons and Wall Street Traders Cornered Australia's Water Market" (Text Publishing, 2021). This book quotes water brokers and farmers and paints a devastating picture of how small Australian farmers have been squeezed out by huge overseas financial corporations for whom "megafarm investments were not driven by the irrigation value of the water and the market for agricultural products. Instead,

they were driven by capital markets and water trading…The people who drive the market do not have a state or region or even a country. Their interest in water is estranged from place…The disconnected, ethereal character of the moder water market is another sense in which the original goals and concepts of the market have been perverted."

Thus, the finance capital that has been gifted Australian water and farmers' livelihoods has grown in a market where that capital is disconnected from actual production and grows in value upon itself in quantities that are of a fictitious nature. The separation of titles to water from its application to agricultural production does not separate this fictitious capital from the class struggle any more than is the case for other forms of fictitious capital: all result in attacks on the living standards of the creators of all wealth – the working class whether in urban or rural settings.

Cryptocurrencies

Now, let us look at whether cryptocurrencies meet Marx's definition of fictitious capital. We began with Marx showing how real money separated from the creation of surplus value could increase the wealth of its owners as fictitious capital. That process now moves to its opposite: fictitious capital (still separated from production) increases the wealth of its owners as a "currency".

The first cryptocurrency was created on January 3, 2009, when Bitcoin (BTC) was launched by Satoshi Nakamoto. Cryptocurrencies have no direct link to the productive economy, and unlike most derivatives, don't link back to an underlying asset or income stream. The price of cryptos, like the price of stocks and shares, is largely driven by investor confidence or expectation. They are traded on anticipated price movements, or speculation on future growth in value (valorisation) and like all fictitious capital, are purely self-referential (Marx's "self-expanding").

Unlike real money, cryptocurrency transactions are hidden and concealed (hence cryptic) and do not pass through an intermediary institution, where they would leave a paper (digital) trail making them perfect for adoption by the criminal community of drug and sex traffickers, terrorists, slave traders, and extortionists who are business people as much as their law-abiding capitalist class equivalents.

Unlike other forms of fictitious capital, cryptos do not entitle their owners to profits or interest from other assets, but can increase their value extremely quickly, hence their description as fictitious capital on steroids. To take an example. Bitcoin was launched without an attached value but began to take on value when owners began trading it. The earliest value of a Bitcoin is said to have been $0.0008 USD per BTC (less than a tenth of a cent) and based on the cost of electricity to "mine" it

(this process and blockchain technology need not concern us here).

The first bitcoin trade occurred on May 22, 2010, when a programmer named Laszlo Hanyecz paid 10,000 Bitcoin (BTC) for two pizzas. This event is now celebrated by crypto afficionados as Bitcoin Pizza Day. If the current value of one BTC is around $US67,000, then those 10,000 BTC, then worth around $US40 for two pizzas (or $0.004 per BTC), has expanded to $US670 million. That's a lot of imagined value to have been created over 15-16 years. These values are partly driven by orchestrated supply and demand variables. For example, there were only 21 million bitcoins created, so today's scarcity is part of its value. But movement from a price of less than a tenth of a cent per Bitcoin to $67,000 per Bitcoin in just over 15 years justifies the description of cryptos as fictitious capital on steroids.

Bitcoin is only one of several thousand species of cryptocurrency with a total market valuation of $2.32 trillion according to the analysts at https://coinmarketcap.com, which lists every cryptocurrency and how it is trading. The Orange Idiot's Official Trump crypto is currently (April 2026) listed at number 65, trading at $2.89 with a market capitalisation of $673,090,000 and a total supply of 999,999,000,000.

Cryptos are a type of fictitious capital which replicates and acts like a real currency in so far as products like a pizza can be bought with it. Their prices are driven by speculation and consumer emotion (there is a

“fear/greed” monitor at the top of the coinmarketcap website) completely detached from production.

New variations on cryptos are continually emerging. One is the stablecoin that is pegged to the US dollar in the hope of maintaining a relatively stable value. It emerged in 2014, but is also subject to market volatility and has proven difficult to maintain its value. According to the Financial Action Task Force, the market capitalisation of stablecoins reached $316 billion in October 2025, while daily trading volume reached $156 billion.

Stablecoins in Australia are regulated by the Australian Securities and Investments Commission (ASIC) under which issuers of stablecoins are treated as operating non-cash payment facilities and algorithmic stablecoins are treated as derivatives. In January 2023, the NAB began a stablecoin project tied to the Australian dollar mainly to enable trading in carbon credits; however, it was abandoned a year later.

The adoption of US dollar-denominated stablecoins is attractive to US capitalists. A report by Standard Chartered warned that the prevalence of US dollar-denominated stablecoins could potentially cause $1 trillion to flow from poorer Third World countries (where rich local elites thrive on corruption and violence) to stablecoins, causing a loss of bank deposits in poor countries. The capital outflow would be caused by risk-averse local elites in poor countries seeking a hedge against sudden sharp currency depreciations.

Even European bankers have warned that widespread adoption of US dollar-denominated stablecoins throughout Europe could erode European monetary sovereignty and financial stability.

Then there are memecoins (aka shitcoins) which have little or no intrinsic value or use but which derive their price primarily from social media momentum and celebrity association. One was the Dogecoin, officially lunched on December 6, 2013 by software engineers Billy Markus and Jackson Palmer, who decided to create a payment system as a joke, making fun of the wild speculation in cryptocurrencies at the time. It is considered both the first "meme coin", and more specifically the first "dog coin". Despite its satirical nature, some consider it a legitimate investment prospect. Dogecoin features the face of Kabosu the dog from the "doge" meme as its logo and namesake. It reached a peak market capitalisation of over US$85 billion on May 5, 2021. Elon Musk was a promoter of Dogecoin and offered to trade Tesla merchandise for it. On May 9, 2021, Musk's SpaceX announced a rideshare mission to the Moon completely funded by Dogecoin, thus becoming the first space mission funded by a cryptocurrency. The Dogecoin supply was limited at 100 billion coins, but this has since been added to by an additional 5 billion per year.

According to coinmarketcap.com the second most valuable crypto is Ethereum. It differs from Bitcoin in various ways and is regarded as a more advanced crypto

with greater flexibility in opportunities for wealth generation. Ethereum applications include Non-Fungible Tokens (NFT) and decentralised finance (DeFi).

An NFT is a special digital certificate that proves you own something unique, like a one-of-a-kind piece of art. This certificate is like a special badge that can't be copied, and it's stored on a digital system called a blockchain. A blockchain is like a secure digital database that keeps track of ownership. "Non-fungible" means it's not interchangeable with other things. Unlike money, where one dollar is the same as any other dollar, NFTs represent something unique. In the case of art work, the NFT to a particular piece can be sold as an NFT to another person which gives them a claim to a digital version of the artwork without surrendering the actual ownership. It is exactly the same as an artist selling prints 100 years ago except with less chance of copyright infringement from fakers and forgers. And it is not just art that can be rendered as an NFT: toys, figurines, music and even wines have been turned into NFTs.

DeFi offers services such as trading, lending and investing without using a traditional centralised intermediary. Instead of contracting with a counterparty, DeFi users interact with software programs that pool the resources of other DeFi users through a layered architecture offering high interest but at high risk. For example, the market value of DeFi trades in November 2021 was $178 billion, but this had plunged to under $40 billion by 2023.

Ethereum is also developing Web3 as a blockchain-based internet. Where personal data is stored on the current version of the internet (Web2) on platforms owned by huge corporations (Google, Meta etc), Web3 offers you a cyrpto wallet-based account where a person's assets (money, NFTs, identity) are theirs, not stored on a company's server and subject to data mining and surveillance.

In this respect, Ethereum has more to offer than Bitcoin, but at a higher price and with greater risk.

What is common to all cryptos is their separation from the productive economy. The billions and indeed trillions of dollars invested in them, together with similar amounts locked away in derivatives, represent the selfishness and greed of money capitalists who have siphoned off real money from its use in productive purposes for the sake of speculative gain in a fictitious world of make believe.

There is no link between fictitious capital and productive assets or income streams; prices are driven by expectations, by the balance between hopes and fears, by investor confidence or its loss; and its market value can rise or fall without any reference to changes in the production of commodities in the real economy.

Fictitious capital is purely self-referential and its value is based solely on a belief in its future exchangeability.

Independence and socialism to break the hold of imperialist finance capital

It robs real world production of capital, a situation that can only be changed when private capital is brought under the control of a working class led state machine that puts that capital to productive use to serve social needs.

This is a society where all policy and programs are based on and driven by principles of equity, driven by the fundamental needs of all people.

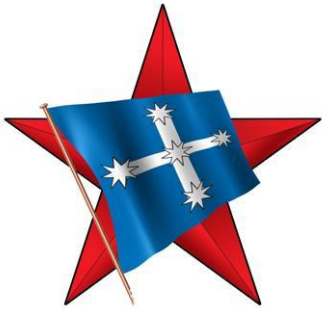
That must be the demand of working classes throughout the world. This demand means the elimination of capitalism's use of finance capital to enable the chasing of dreams in the world of speculation for the benefit of individuals with wealth at the expense of the people in general. This means ending the control and exploitation of labour-power upon which capitalism's demand for surplus-value depends, for it is that exploitation that makes finance capital and its fictitious values possible.

Australian workers must take the lead in securing Australia's real independence from imperialism and building a socialist economy in which there is public ownership of the means of production and finance capital (banks, investment reserves, credit facilities) is placed under public, collective and state control and returned to its proper place within the productive economy. Stock markets and speculative finance (eg derivatives) are abolished and unproductive financial speculation is eliminated. The state directs credit toward strategic sectors (e.g., health, education, infrastructure, green energy which may be unprofitable but socially

necessary) and capital is subordinated to social planning and publicly necessary objectives.

There is nothing fictitious about our future.

We will make it real by our united revolutionary efforts.



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