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Karl Marx is Coming Back!

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Abstract. This paper is devoted to mark the 150th anniversary of the publication of Volume I of Karl Marx's Capital in September 1867. The aim of this paper is not analytical one—on the contrary. We would like to review existing positions among contemporary Marxists; to review contemporary Marxist's literature; to review tendencies in different interpretations of Marx's writings; to present some myths, misleading, misinterpretations and sometimes an obvious lie as concerns his economic writings. It is the main question about the irrelevance, inconsistency, and obsolescence of Marx. We put the question: have the economic writings of Karl Marx real meaning for today? Enrique Dussel, Argentinean philosopher, claims that we are witnesses of beginning of the second century of Marx (1983–2083). So, is Karl Marx really coming back? However, we live, to use catch phrase Antonio Gramsci, when “the old is dying and the new cannot be born.” We can rely on Marxist concepts as starting points for understanding the world today because they provide the best way to explain what is going on. The significance of Marx's theory is that it so clearly spelled out the dynamic of capital accumulation that, much more than one might think plausible, his analysis provides key economic concepts from which to understand major features of the world economy today.

Keywords: Karl Marx; Capital; Marx's theory of value; Marx's theory of money; Marx's theory of crisis.

Карл Маркс возвращается!

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Аннотация. Статья посвящена отмечаемой в сентябре 2017 г. 150-й годовщине выхода в свет первого тома «Капитала» Карла Маркса. Целью этой статьи не является аналитический разбор экономических трудов Маркса. Напротив. Наша цель — обзор различных позиций, доминирующих среди марксистов; презентация современной марксистской литературы; обзор тенденции различных интерпретации трудов Маркса; презентация некоторых мифов, заблуждений, неправильной интерпретации и иногда прямо лжи относительно трудов Маркса. Основным вопросом является упрек в адрес Маркса о бесполезности, противоречивости и неактуальности. Поэтому ставим вопрос: имеют ли сегодня экономические труды Маркса реальное значение? Аргентинский философ Энрике Дуссель считает, что мы являемся свидетелями начала второго столетия Маркса (1983–2083). Так ли это, что Маркс возвращается? Однако мы живем во время, когда, говоря словами Антонио Грамши, старое уже погибает, а новое еще не может родиться. И все-таки мы можем полагаться на марксистские концепции в качестве отправной точки для понимания мира сегодня, потому что они обеспечивают лучший способ объяснить, что происходит. Важность теории Маркса заключается в том, что в ней четко прописана динамика накопления капитала, что, в гораздо большей степени, чем можно было бы ожидать, его анализ содержит ключевые категории, из которых можно понять основные особенности современной мировой экономики.

Ключевые слова: Карл Маркс; Капитал; теория стоимости Маркса; теория денег Маркса; теория кризиса Маркса.

INTRODUCTION

“In the analysis of economic forms, moreover, neither microscopes nor chemical reagents are of use.

The force of abstraction must replace both.”

Karl Marx

150 years ago, Karl Marx published the first volume of his life work, *Capital: A Critique of Political Economy*, in **September 1867**. Together with *Volumes II, III* and *The Theories of Surplus Value*, published after Marx's death, this writings remains the most profound and challenging study of the logic of the capitalist system that still dominates our lives. However, it is obvious question: have the whole work of Karl Marx real meaning for today? Can we explore the relevance of *Capital* and Marx's manuscripts to issues such as crisis, imperialism, social reproduction, class struggles, and communism? There is urgent need to clarify what *Capital* means today.

What can we still learn from Karl Marx at all? We may to ask whether Karl Marx might have been right after all. Much has been written since *Capital* was first published, and evens more after the demise of the Soviet Union and the consequent triumph of neoliberalism, about the *irrelevance, inconsistency, and obsolescence* of Marx.

It is of great interest to appreciate the relevance of Marxist economic theory in explaining the current state of global capitalism. When Karl Marx wrote *Capital* it was the crowning achievement of a lifetime spent in political and theoretical struggle. 150 years after the first appearance of *Capital* Volume I, that system is grappling with the effects of one of the greatest crises in its history and the resulting political instability. Many have turned to Marx's *Capital* seeking to understand the present conjuncture. However, Marx never finished this work, and the recent publication of his manuscripts has revealed both the immensity and the complexity of his project.

Capital must rank as one of the best known but least read works ever published. Indeed, most of us will have gleaned what we know about *Capital* through commentators or interpreters. And there lies the problem. Marx's explanation of capitalist development is so far removed from conventional accounts of how our society functions, that it is particularly difficult to appreciate.

In America and Britain, philosophy departments prefer to teach about the thinkers who have proceeded from the viewpoint of the isolated contemplating individual rather than those philosophers who take a broader more objective perspective. Therefore, Descartes, Kant and Leibnitz are paid far more attention than Spinoza or Hegel. There are many works, which try to discover relation between Marx and Hegel, especially dialectics of *motion* and *development*.

The viewpoint of the standalone self-determined individual is the default setting for anyone considering their place in capitalist world. This means any analysis that is not based on this *subjectivist* attitude will seem counter-intuitive. To understand Marx is to think *historically* and in that much-abused word, *dialectically*. One cannot hope to grasp the meaning of Marx by applying rules of formal logic such as the law of the excluded middle.

Dialectical thinking instead recognizes that development is the process of both unbecoming (moving away from one state) and becoming (towards a different state). So that at any time any object may both be one thing and contain within itself the *possibility* of becoming other than what it is.

To look at society as a historically-produced entity with its own laws of development and to capture them in *concepts* which we can understand, is a formidable task. To say Marx was a genius for even trying to do this is uncontroversial. Nobody has even come close to matching the scope and detail of his explanation of how capitalist society works.

The first century following Marx's death (1883–1983) transpired first under Engels' authority, then under the hegemony of the 2nd International (Kautsky, Lenin, Rosa Luxemburg, etc.). The Leninist period of the 2nd International was brief, and it quickly fell under the domination of Stalinism. The second century of Marx (1983–2083) has begun with “perestroika”, with the collapse of existing socialism in Eastern Europe and Russia, and with the massive publication of hitherto unknown manuscripts. **Marx, in his second century will be something very different from his first century.** He will be a Marx whose critical thought will be in the hands of Humanity—critical of capitalism and, in a positive way (opening its democratic and creative era), of existing socialism. **We are perhaps nearer to Marx than ever.**

It is a question, then, of a **complete rereading of Marx**, with new eyes: as a Latin American, from

the growing poverty of the peripheral world, the underdeveloped and exploited of capitalism at the end of the 20th century. Marx is, in the periphery, today, more pertinent than in the England of the mid-19th century.

We are witnessing a deep crisis of the Western capitalist civilization—overlapping environmental, energy-, and economic crises, social exclusion, poverty and famines. The roots of these as well as other evils should be sought in an economic system whose basic aim is production for profit, and that therefore requires human and environmental exploitation, rather than the production for the satisfaction of everybody's needs in harmony with each other and thus with nature. The thinker, whose work offers the sharpest tools for an analysis of the root causes of these and other social ills, is undoubtedly Marx. Marx's work offers a solid and still relevant foundation upon which to further develop a multi-faceted theory highly significant to understand the contemporary world, both its present condition and its possible future scenario.

So, this Marx will not only be the 'Marx of perestroika', but the Marx of the entire second century (1983–2083), of the philosopher and economist, who critically deconstructs capitalist economics and reconstructs it anthropologically and ethically, in a democratic vision in which the responsible and participating individual is fully realized in the community and in solidarity. What is crucial is to describe the critical framework "from which" Marx criticized capitalism, since it is from that framework that one may criticize as well all possible future economic systems.

WHY ECONOMY?

Marx describes his move into economic study in preface to his 1859 *A Contribution to the Critique of Political Economy*: "Although I studied jurisprudence, I pursued it as a subject subordinated to philosophy and history. In the year 1842–43, as editor of the *Rheinische Zeitung*, I first found myself in the embarrassing position of having to discuss what is known as material interests" he then claims: "I eagerly grasped the opportunity to withdraw from the public stage to my study."

At the end of 1843 Marx began his studies of economics that continued until 1849. He received helpful direction during his withdraw from the public stage from reading Engels' *Outlines of a Critique of Political Economy* published in *Deutsch-Französische*

Jahrbücher on February 1844. Marx describes Engels' "brilliant essay on the critique of economic categories" and even cites Engels' document numerous times in his first volume of *Capital*. This early work by Engels contains the undeveloped founding work which points his and Marx's early aims of discovering and teaching the determination of the categories of a society founded on private free-enterprise. Divisions of labor in social reproduction present classifiable positions as "bearers [Träger] of class-relations and interests" and reduced to their most extreme forms are "personifications of class-relations and interests" and nothing more.

In Preface of *A Contribution to the Critique of Political Economy* Marx wrote that the first work which he undertook to dispel the doubts assailing him was a critical re-examination of the Hegelian philosophy of right; the introduction to this work being published in the *Deutsch-Französische Jahrbücher* issued in Paris in 1844. This inquiry led him to the conclusion that neither legal relations nor political forms could be comprehended whether by themselves or on the basis of a so-called general development of the human mind, but that on the contrary they originate in the material conditions of life, the totality of which Hegel, following the example of English and French thinkers of the eighteenth century, embraces within the term "civil society"; **that the anatomy of this civil society, however, has to be sought in political economy.** The general conclusion at which he arrived and which, once reached, became the **guiding principle** of his studies.

Marx's economic thinking first textually appears, briefly, for the purpose of self-clarification, in **nine notebooks** dating from 1843 to 1845 from Marx's new home in Paris in his late twenties, around the same time when he publishes his introduction to his unpublished Critique of Hegel's Philosophy of Right in *Deutsch-Französische Jahrbücher* in February of 1844.

In February of 1845, Marx was deported from France and starts a joint work with Engels, never finished, to be titled *The German Ideology*, first worked on in Brussels. Here Marx writes an outline for the first chapter as *eleven theses on Ludwig Feuerbach*.

What is noticeable in Marx's '43-'45 period, when it comes to the economic categories, Marx will mostly rely and comment on economists such as Smith, Ricardo, and James Mill having economic categories

secondary supporting points to categories defining humanity and corresponding ethics of the “essence” of humankind. The economic categories Marx grapples with, and the depth that he gives them however, changes come 1847.

Marx will eventually attempt to transform these early Paris manuscripts into something more, signing a contract in February of 1845 for book titled *A Critique of Politics and of Political Economy*. In the same February of 1845, that Marx signs his contract both he and Engels publish their first joint work *The Holy Family*, a critical contribution to the theoretics of the young Hegelians and early communist thinking. Marx will get his first chance to publish material on economics for public eyes in *The Holy Family*. Although limited, he writes a section in the fourth chapter criticizing Proudhon on categories that he will do so more consistently later such as value, determination, and measure, but in way of course, more in line with Marx in the early and mid-1840s.

The emphasis of this time is not working out the economic categories as a point, but still Marx recognizes them and implements them into what he is trying to say. His goal is not to work out the movements of economic categories but critique the bourgeois form of the categories. Although in September of 1846, around five months after Marx and Engels mainly ended work on *The German Ideology*, Marx is told that his book contract from last year has been canceled due to his politics.

Come early 1847, in a flash, Marx produces what will become his first book, also containing his first statements more explicitly on economic categories. Marx's first book is however, a long polemic of Proudhon's 1846 *The System of Economic Contradictions: The Philosophy of Poverty* which Marx would counter-title: *The Poverty of Philosophy*. Marx begins writing in January 1847, he was finished come April; the book was published in Paris and Brussels in June of the same year.

Within the same year of writing and publishing *Poverty of Philosophy*, Marx produces an even more concentrated and independent, yet short, economic work appearing in text as lecture notes for what will be later titled: *Wage-Labour and Capital*, set to be delivered December of 1847. This will be the first time Marx will concretely and consistently make an economic work. The lecture was given the same month Marx and Engels were commissioned by the League of Communists to write the Manifesto of

the Communist Party, which would appear February of 1848.

Marx left for London in 1849. There, every day beginning in 1851, in the library of the British Museum, he undertook a huge task of reading, of which he left us testimony in the more than 100 “Notebooks” that will be more than 40 volumes in section IV of the MEGA 2. Up to now, we have volumes of “**Exzerpte und Notizen**“ from IV/7 (September 1849–February 1851) to IV/31 (second half of 1877–1883). You can find the detailed information at http://mega.bbaw.de/struktur/abteilung_ii.

After Marx's 1847 establishment of his economic thought, according to him: “The publication of the *Neue Rheinische Zeitung* in 1848 and 1849 and subsequent events cut short my economic studies, which I could only resume in London in 1850.” This is also when Marx started to basically live in the British Museum Library.

Marx's *Wage-Labour and Capital* lecture manuscripts were later worked up to become a set of articles in *Neue Rheinische Zeitung* starting in April 1849. The series although, was never completed for various reasons, mainly the censorship of the paper. *Wage-Labour and Capital* would not be published until one year after Marx's death in 1883, published as they were written in 1849. Later however, an edited version was republished by Engels and given an introduction dated April 30, 1891.

It is right, then, to see 1847 with *Poverty of Philosophy* and *Wage-Labour* to 1849 with the revising of *Wage-Labour* for publication as the time of Marx's early serious economic thinking in text. Engels also says: “Marx, in the '40s, had not yet completed his criticism of political economy. This was not done until toward the end of the fifties.”

These 1850s manuscripts are to be edited by Marx into his first powerful and complex economic work: *A Contribution to the Critique of Political Economy*, published early 1859. The set of notebooks were later published titled: ***Grundrisse***, appearing long after Marx and Engels' death. Marx wrote his *Grundrisse* over the period **August 1857 to May 1858**. It remained virtually unknown for almost a century (with the exception of its *Introduction*). It was translated for the first time into English only in 1973.

There are two translations into English of the whole text of Marx's *Grundrisse*.

The first appeared in 1973, translated by **Martin Nicolaus**. His German source was the 1953 Dietz

edition (*Grundrisse der Kritik der politischen Ökonomie (Rohentwurf) 1857–58*, Berlin 1953). The title is *Grundrisse*, and the subtitle: *Foundations of the Critique of Political Economy (Rough Draft)*. After the “Introduction” and the main text, he adds the essay “Bastiat and Carey” (which in fact was written first).

The second translation appeared in the Marx-Engels *Collected Works* (MECW), in two volumes, Volume 28 in 1986 (translated by Ernst Wangermann) and Volume 29 in 1987 (translators: Victor Schnittke and Yuri Sdobnikov). The German source was the new MEGA edition of the text, but the editors cite it misleadingly. They give the sources of the matter presented in *Collected Works* 28–29 as “Marx-Engels Gesamtausgabe (MEGA) II, 1; II, 2, Berlin, 1976–1981.” (CW 28: xxvi). In fact the *Grundrisse* was put out in two parts: MEGA II, *Band 1, Teil 1* (1976) and *Band 1, Teil 2* (1981). MEGA II *Band 2* (1980) is the post-*Grundrisse* volume (1858–1861) containing the other texts and text of *A Contribution to the Critique of Political Economy* (1959) translated in *Collected Works* Volume 29. Manuscripts in German were edited as:

II/1 M: *Ökonomische Manuskripte 1857/58. (Grundrisse der Kritik der politischen Ökonomie)* 2., unveränd. Aufl. 2006. 29* + 1.182 S. | 27 Abb. | ISBN978-3-05-004245-9. [1. Aufl. Teil 1: 1976, Teil 2: 1981.]

II/2 M: *Ökonomische Manuskripte und Schriften, 1858–1861. (Zur Kritik der politischen Ökonomie u.a.)* 1980. 32* + 507 S. | 19 Abb. | ISBN978-3-05-003368-6.

Collected Works Volume 28 contains “Bastiat and Carey,” the “Introduction,” and the first installment of the main text, titled “*Outlines of the Critique of Political Economy (Rough Draft of 1857–58)*.” Volume 29 contains the second installment of the main text; additionally it includes the following relevant material: “*Index to the 7 Notebooks*” (June 1858), “*References to my own Notebooks*” (1861), and “*Draft Plan of the Chapter on Capital*” (1860). Nicolaus does not give these indexes separately but makes use of them in his editorial apparatus. In the same volume is “*A Contribution to the Critique of Political Economy*” of 1859, together with its “*Urtext*” (the only English translation of the latter).

Although many scholars habitually use the Nicolaus translation, in my opinion it has been superseded by the newer translation in *Collected Works* 28 and 29. The reasons for this judgement are:

1. The 1953 German text used by Nicolaus has been superseded by that in the new MEGA (1976–81) used for the *Collected Works*.

2. Nicolaus mistranslates the central term ‘*Verwertung*’ as ‘realization’ what is wrong. The *Collected Works* correctly renders this ‘*valorisation*’, which is now the general usage (despite its being somewhat ‘technical’), having appeared in the 1976 translation of *Capital*. Unless it can be shown that the *Collected Works* translation is definitely inferior in other respects this consideration is decisive.

3. The Nicolaus edition has no Index. The *Collected Works* edition has full notes and large Indexes.

Those with a special interest in the “Introduction” should seek out the one by **Terrell Carver** (translated from the 1953 German edition) in his “*Karl Marx: Texts on Method*” (Oxford: Basil Blackwell, 1975). This is because he supplies extensive editorial matter: his own Introduction gives a detailed history of Marx’s changing plans and projects prior to the *Grundrisse*; he also provides substantial notes and commentary on the text itself; for example, he ably defends his choice of ‘individuated individual’ to translate ‘*vereinzelter Einzelne*’ instead of ‘isolated individual’ as is usual. Unfortunately, he gives ‘bourgeois society’ where it is better to use ‘civil society’.

Marx’s 1859 Critique will unfortunately receive less attention as it is highly terse. Marx’s ‘59 Critique contains key writings on Marx’s categories in the mode of production in the preface. In the preface, Marx exposes his early plan for his multivolume series on bourgeois society along with brief autobiographical statements already quoted above. Marx makes brief comments on Hegel similar to what will be found in the also-famous post-face to the second edition of *Capital*. Although aside from this preface, Marx’s 1859 text is strictly an economic text. Page after page, word after word, is meant to describe economic categories with little exception, mostly contained to the beginning. The text is really more like an early version of the first three chapters of *Capital* volume one and an edited form of the economics in Marx’s 1850s notebooks preparing himself for this work.

Publication of Marx’s all original manuscripts is part of the monumental MEGA project, the comprehensive 114-volume collected works of Marx and Engels (in German). Each of these volumes also includes MEGA editors’ companion volume, called the *Apparat* (“Apparatus”), which presents a wealth of detailed information about the history of the

Marx and Engels Collected Works copyright

In April 2014 Lawrence & Wishart asked the Marxist Internet Archive (MIA at <https://www.marxists.org/>) to respect his copyright and take its unlicensed version of the Marx and Engels Collected Works (MECW) off its website. It was only in April 2014 that Lawrence & Wishart realized the extent of MIA's copyright breach, which is why they took action then and asking the MIA to take down the L&W copyrighted material. So, you can't download MECW from <https://www.marxists.org/>.

Grundrisse translated by Martin Nicolaus from you can download from <https://www.marxists.org/archive/marx/works/download/pdf/grundrisse.pdf>. Here are also available from this site Capital vol. 1, vol. 2, vol. 3 and vol. IV (Theories of Surplus Value), Contribution to the Critique of Political Economy (1859), Economic and Philosophical Manuscripts of 1844 (see: <https://www.marxists.org/archive/marx/works/download/index.htm>).

Grundrisse:

1939–41 First German edition of Marx–Engels Institute, Moscow

1953 Second German edition of Dietz-Verlag, East Berlin

1973 English translation by Martin Nicolaus

2010 Second English translation

Some books on Grundrisse:

Carver, Terrell (Ed.). (1975). *Karl Marx: Texts on Method*. Oxford: Basil Blackwell.

Bottomore, Tom, (Ed.). (1998). *A Dictionary of Marxist Thought*. Oxford: Blackwell.

Harvey, David. (2006). *The Limits of Capital*. London: Verso.

Lallier, Adalbert G. (1989). *The Economics of Marx's Grundrisse: An Annotated Summary*. New York: St. Martin's Press.

Mandel, Ernest. (2015). *The Formation of the Economic Thought of Karl Marx: 1843 to Capital*. London: Verso.

Mandel, Ernest. (1970). *Marxist Economic Theory*. New York: Monthly Review Press.

Negri, Antonio. (1989). *Marx Beyond Marx: Lessons on the Grundrisse*. Brooklyn: Autonomedia.

Postone, Moishe. (1993). *Time, Labor, and Social Domination: A Reinterpretation of Marx's Critical Theory*. Cambridge [England]: Cambridge University Press.

Uchida, Hiroshi. (2015). *Marx's Grundrisse and Hegel's Logic*. Terrell Carber (Ed.). London: Routledge.

Bellofiore, Riccardo, Starosta, Guido, & Thomas, Peter D. (Eds.). (2013). In *Marx's Laboratory: Critical Interpretations of the Grundrisse*. Historical Materialism Book Series, vol. 48. Leiden • Boston: Brill.

manuscript being published, editorial decisions and variations to these decisions, further explanatory notes. The MEGA website is: <http://mega.bbaw.de/>.

AN INEXHAUSTIBLE SOURCE OF KNOWLEDGE

“All science would be superfluous if the outward appearance and the essence of things directly coincided.”

Karl Marx

Marx's *Capital* still represents the most comprehensive critique yet developed of capitalism and the mystified categories through which as a system it is understood. It has been discovered that

Marx wrote four drafts of *Capital*, not just two (the *Grundrisse* and *Capital*), as was commonly thought. In between these two, Marx wrote two other fairly complete drafts of all three volumes of *Capital*—one in the **Manuscripts of 1861–63** and another in the **Manuscripts of 1864–65**. The second draft in the Manuscripts of 1861–63 is especially interesting. It includes, in addition to the well-known **Theories of Surplus Value**, a second draft (after the *Grundrisse*) of Volume 1 (Parts 2–4), and a first draft of most of Volume 3. The Manuscripts of 1861–63 were published for the first time in their entirety in German in the Marx-Engels Gesamtausgabe, abbreviated as MEGA, in 1876–82. The English translation was published in 1988–94 by International Publishers, as Vol-

umes 30 to 34 of the 50-volume Marx-Engels Collected Works. These manuscripts are very rich and illuminating, and provide many insights into the logical structure of the three volumes of *Capital*, and especially about how Volume 3 fits into this *overall structure*. They are much clearer and better organized than the *Grundrisse*, and they contain more clarifying comments on Marx's logical method than the final 'popularized' editions.

Enrique Dussel has written a path-breaking book in Spanish about Marx's Manuscripts of 1861–63 entitled *Hacia un Marx Descondido: Un Comentario de las Manuscritos del 61–63*, which was published in 1988. A translation of that book was edited in 2001 as *Towards an Unknown Marx: A Commentary on the Manuscripts of 1861–1863*.

Complete rereading of Marx, as proposed by Enrique Dussel, means the reading chronologically, "archeologically", Marx's economic works: from the least to the most remote drafts from the viewpoint of the publication of *Capital*. Complete rereading has the intention to discover *diachronically* the construction of the categories in Marx's theory.

The fruit of such rereading by Dussel himself has been the three volumes that he has published on this subject:

Dussel, Enrique. (1985). *La producción teórica de Marx, un comentario a los «Grundrisse»*. Mexico: Siglo XXI (in Spanish). (Dussel, Enrique. (2009). *La Production Théorique Marx. Un commentaire des Grundrisse*. Paris: L'Harmattan (in French)). Second edition in Spanish in 1991.

Dussel, Enrique. (1988). *Hacia un Marx desconocido, un comentario de los Manuscritos del 1861–63*, Mexico: Siglo XXI (in Spanish). (Dussel, Enrique. (2001). *Towards an Unknown Marx. A commentary on the Manuscripts of 1861–63*. Edited with an introduction by Fred Moseley. London and New York: Routledge (in English))

Dussel, Enrique. (1990). *El último Marx (1863–1882), y la liberación latinoamericana*. Mexico: Siglo XXI (in Spanish). (Dussel, Enrique. (2009). *L'Ultimo Marx*. Roma: Manifestolibri (in Italian))

Dussel's trilogy on Marx's economic manuscripts grew out of a comprehensive reading from start to finish of all of Marx's economic manuscripts in the original German. Since some of these manuscripts had not yet at that time been published even in German, Dussel traveled to Berlin and Amsterdam to read Marx's original manuscripts — **in Marx's awful handwriting!** We do not know of anyone else

who has conducted such a thorough and systematic reading of all of Marx's economic manuscripts.

Dussel's trilogy will turn out to be one of the most important works in the history of Marxian scholarship. The uniqueness of Dussel's contribution is that he brings a very high level of philosophical understanding to bear on Marx's economic manuscripts, especially on the logical method employed by Marx in the construction of his economic theory, how Marx's thinking (and his concepts) developed through the various manuscripts, the continuing influence of Hegel, etc. Indeed, it is necessary to understand the development of Marx's system, as speaking on what is actually meant by Marx can depend on what year it is written in. So, we also include brief biographical overview of Marx's writings.

Dussel's method of exposition is to present a comprehensive and detailed introduction to Marx's manuscripts in his (Marx's) own words, emphasizing various themes. Dussel's exposition follows Marx's manuscripts chronically, section by section, including initial intuitions, detours, and digressions (some of which turn out to be quite significant), and highlights Marx's discoveries and theoretical advances, as well as his confusions and difficulties. In this way, Dussel explains how Marx's thinking developed and was clarified on a number of key issues while working on the various drafts of *Capital*. The result is an extremely valuable "reader's guide" to Marx's manuscripts, that greatly facilitates our understanding of their meaning and significance.

There are other attempts to present Marx's economic writings crossing over all three volumes of *Capital*. For example:

Smith, Kenneth. (2012). *A Guide to Marx's Capital*, Volume 1–3. Anthem Press.

Heinrich, Michael. (2012). *An Introduction to the Three Volumes of Karl Marx's Capital*. New York: Monthly Review Press. (Translated from German by Alexander Locascio, originally published as *Kritik der politischen Ökonomie: Eine Einführung* by Schmetterling Verlag GmbH, Stuttgart, Germany in 2004)

Harvey, David. (2010). *A Companion to Marx's Capital*. Volume 1. London: Verso.

Harvey, David. (2013). *A Companion to Marx's Capital*. Volume 2. London: Verso.

Fine, Ben & Saad-Filho, Alfredo. (2010). *Marx's 'Capital'*. Fifth edition. London: Pluto Press.

Choonara, Joseph. (2009). *Unraveling Capitalism: A Guide to Marxist Political Economy*. London: Bookmarks.

Enrique Dussel (Enrique Domingo Dussel Ambrosini) is one of the most interesting Marxist philosophers in the world today. He was born December 24, 1934 in the town of La Paz, in the region of Mendoza, Argentina. He first came to Mexico in 1975 as a political exile and is currently a Mexican citizen, Professor in the Department of Philosophy at the Iztapalapa campus of the Universidad Autónoma Metropolitana (Autonomous Metropolitan University, UAM) and also teaches courses at the Universidad Nacional Autónoma de México (National Autonomous University of Mexico, UNAM). He has an undergraduate degree in Philosophy (from the Universidad Nacional de Cuyo/National University of Cuyo in Mendoza, Argentina), a Doctorate from the Complutense University of Madrid, a Doctorate in History from the Sorbonne in Paris, and an undergraduate degree in Theology obtained through studies in Paris and Münster. He has been awarded Doctorates Honoris Causa from the University of Friburg in Switzerland, the University of San Andrés in Bolivia, the University of Buenos Aires in Argentina, the University of Santo Tomás de Aquino in Colombia, and the National University of General San Martín in Argentina. He is the founder with others of the movement referred to as the Philosophy of Liberation, and his work is concentrated in the field of Ethics and Political Philosophy.

Dussel has written over 40 books (in Spanish), some of which have been translated into English and several other languages (German, French, and Italian): *The Philosophy of Liberation* (1980, 1985), *Ethics and Community* (1988, 1993), *The Invention of the Americas* (1995), *The Underside of Modernity* (1996), *Politics of Liberation. A critical world history* (2011).

In the early 1970s Dussel became influenced by *dependency theory* and the writings of **Emmanuel Levinas**, both of which were to become major influences on his thinking. He is one of the primary figures along with others such as **Rodolfo Kusch**, **Arturo Roig**, and **Leopoldo Zea**, in the philosophical movement referred to as the *Philosophy of Liberation*.

For details see: http://enriquedussel.com/Home_en.html

Callinicos, Alex. (2014). *Deciphering Capital: Marx's Capital and its Destiny*. London: Bookmarks.

FURTHER DEVELOPMENTS

The Manuscripts of 1861–63

We should see the *Contribution to the Critique of Political Economy* (Marx 1859) as the beginning of the *Manuscripts of 1861–63*. In effect, Marx first wrote the chapter on the commodity, and then the one on money, but he hesitated and promised to write a future “Chapter 3” on capital. It is the first definitive draft of what later became Part 1 of Volume 1 of *Capital*. It is interesting because one can see the development with regard to the *Grundrisse* and also the immaturity with regard to the later drafts of 1867 and 1873. It is worth noting that for ten years (from 1857 to 1867), Marx did not return to this subject of Part 1 of Volume 1. Marx’s draft of **Part 1 for the 1867** edition shows a lack of theoretical advance on this subject during that

period. For this reason, the later 1873 edition of *Chapter 1* includes many variations, and some important ones.

What is certain is that, in **August of 1861** (with a two year pause at that time), Marx once again took up his pen to undertake, in a single stretch, a theoretically very creative period—from August 1861 until April 1867, now without any important breaks, though with some minor ones owing to the illnesses that continually besieged the Marx of London. He will write 23 notebooks (that we will call the *Manuscripts of 1861–63*), published as a whole for the first time, and without Engels’ or Kautsky’s modifications. This is a huge amount of material that not yet attracted sufficient attention of Marxian scholars.

The *Manuscript of 1861–63* was published for the first time in its entirety in German in the MEGA in 1976–82. The English translation was published in 1988–94 by International Publishers, as Volumes 30 to 34 of the 50-volume *Marx-Engels Collected Works*. The manuscript is the **second**

draft of *Capital*, and is the manuscript in which Marx developed for the first time his theory of the distribution of the total surplus-value that would later be presented in Volume 3 of *Capital*. About two-thirds of this manuscript is what we know as the *Theories of Surplus-Value*, much of which is about the distribution of surplus-value. The other third of the manuscript has been published for the first time in the new MEGA edition, and includes a second draft of Volume 1 of *Capital* (which is very interesting and important), and, what is most relevant to this volume, approximately 250 pages about material related to Parts 1, 3, and 4 of Volume 3.

The structure of the *Manuscripts of 1861–63* can be divided, to simplify, into three parts: the first, from notebook I to V, is a quasi-definitive text and hitherto unknown **second draft of Volume 1** of *Capital*—on the transformation of money into capital (Part 2) and on absolute and relative surplus value (Parts 3 and 4). Once Marx clarified these problems—that is, having definitively constituted what was essential to those categories—he could now confront the history of economics to ask himself what economists have said on the subject, and by confrontation, to observe if his categorical framework ‘resists’ criticism. It is not a history—and therefore has nothing to do with a “Book IV” of *Capital*—and neither is the history the most important part. What is truly interesting is the **development of Marx’s categorical framework**.

The most important thing for the reader of the Marx’s manuscripts, especially of *Theories of Super Value*, is not only to see what he critiques, but rather in what sense he begins to ‘develop’ new categories. The creation of new categories is not foreseen in Marx’s plan—given that it is only a formal historical framework. One must see not only *what* is criticized, but *how* it is criticized, with what categories it is criticized, which new categories appear. That is, one needs an epistemological “attention” that is, in the first place, “terminological”. In this case, “words” count (and the translations into English sometimes betray Marx). It is a question then of “pursuing” not only the words, but also their semantic “contents”. Frequently the word is the same, but not its content (its concept); other times the words change (for example “*cost price*” and “*price of production*”), but the concept is identical. These fluctuations, variations, transformations, indicate an “immature” state in the “constitution” or “construction” of some categories.

When Marx has finished “constructing” a term, he gave a definite name for the concept.

From November of 1862 to January of 1863 he finished constructing, in definitive fashion, the category of **price of production**. We thus became aware that this is the second draft of *Capital*.

The manuscript finishes on questions of Volumes II and III (mercantile capital, profit, etc.), and also those pertaining to Volume I, where for the first time he clears up the question of the “*real subsumption*” of living labor.

Volume 34 of the *Collected Works* of Marx and Engels contains the conclusion of Marx’s Economic Manuscript of 1861–63 (Notebooks XX–XXIII, pp. 1251–1472 of the manuscript). The manuscript as a whole is the second rough draft of *Capital* and makes up volumes 30 to 34 of the present edition. This volume also includes Marx’s manuscript “Chapter Six. Results of the Direct Production Process” and other fragments of the Economic Manuscript of 1863–64, the only extant remnants of the third rough draft of Book I of *Capital*. All these manuscripts are presented in accordance with their new publication in the languages of the original in *Karl Marx/Friedrich Engels. Gesamtausgabe (MEGA)*. Zweite Abteilung. Bd. 3. Berlin, 1976–1982 and Bd. 4.1. Berlin, 1988.

The Manuscripts of 1863–65

In **July of 1863** Marx completed the indicated above manuscripts, and that same month he began the *Manuscripts of 1863–65* more than 1220 handwritten folios, including the famous “*Unpublished Chapter VI*” (published in English as an appendix to the Vintage Books edition of Volume 1 of *Capital* and entitled “*Results of the Immediate Process of Production*”). **It is the only time in Marx’s entire life that he completely wrote all three volumes of Capital**. It is, moreover, the only complete text (although in certain parts only a sketch) of volumes II and III. It should be kept in mind that this draft of Volume I, except for a few scattered pages and the so-called “*Unpublished Chapter VI*”, **has been lost**. I believe that it was so similar to the text of the “*Fourth Draft*” that Marx destroyed it as he finished modifying or copying it.

However, in the London summer of 1864, until December of that year, Marx again began the **draft of Volume III**. The texts display a great similarity to the thematic of Volume I, that is, the passage of surplus value (deep, essential level, simple) to profit

(its form of phenomenal appearance, superficial, complex). These are magnificent texts, of great Hegelian precision—Marx is ‘Hegelianized’ more and more until 1880—in complete control of his phenomenology, of the levels of abstraction, of the “systematic” dialectic of the categories, that is: of a fully “scientific” “exposition”—if by “science” one understands the passage from the phenomenal, from the visible to consciousness, to the essence, to the invisible. This is the “Principal Manuscript” (or “Manuscript I”) of **Volume III**, published for the first time in the MEGA in 1992.

Around **December of 1864**, or **January of 1865** at the latest, Marx interrupted the draft of Volume III, and wrote a **draft of Volume II** (Manuscript I) in one stretch. Marx included at the end, in the 5th paragraph of Chapter 3, the problem of “**Accumulation with money**,” a question not included in the subsequent editions of Engels (Engels ignored this manuscript, not knowing that it was the only complete one). The whole problematic of Volume II can now be truly dealt with, and for the first time in the history of Marxism.

Marx’s “Book III” manuscript was heavily edited by Engels for the first German edition of Volume 3 in **1894** (after working on the project off and on for 11 years). It has been a long-standing question in Marxian scholarship concerning how much did Engels change Marx’s manuscript and are there significant differences between the two.

In German new edition (MEGA 2) of Marx’s *Economic Manuscripts* for 1863–1865 were edited as follows:

II/4.1 M: *Ökonomische Manuskripte 1863–1867. Teil 1. (Manuskripte 1864/65 zum 1. und 2. Buch des „Kapital“, Vortrag „Value, price and profit“)* 2. unveränd. Aufl. 2011 40* + 770 S. |26 Abb. | ISBN978–3–05–004227–5. [1. Aufl. 1988.]

(II/4.1 M: *Economic Manuscripts 1863–1867. Part 1. (Manuscript 1864/65 for volumes 1 and 2 of Capital and text “Value, price and profit”.* 2011. Reprint of 1988 edition)).

II/4.2 M: *Ökonomische Manuskripte 1863–1867. Teil 2. (Manuskript 1863/65 zum 3. Buch des „Kapital“)* 2. unveränd. Aufl. 2012. 26* + 1.445 S. |17 Abb. | ISBN978–3–05–005119–2. [1. Aufl. 1993.]

(II/4.2 M: *Economic Manuscripts 1863–1867. Part 2. Manuscript 1864/65 for volume 3 of Capital.* 2012. Reprint of 1993 edition)).

II/4.3 M: *Ökonomische Manuskripte 1863–1868. Teil 3. (Manuskripte 1867/68 zum 2. und 3. Buch des*

„Kapital“) 2012 | XII + 1.065 S. |22 Abb. | ISBN978–3–05–003866–7.

(II/4.3 M: *Economic Manuscripts 1863–1868. Part 3. Manuscript 1867/67 for volumes 2 and 3 of Capital.* 2012).

The Part 3 (II/4.3) comprises for the first time the last fifteen manuscripts of 1867/68 in which Marx try to definitely work the unanswered questions in his “main manuscript” for the third book of 1864/65. Manuscripts were written between the autumn of 1867 and autumn/winter of 1868.

When Engels started this very difficult project, he appears to have had very little knowledge and overall understanding of Marx’s Book III. Engels’ scant knowledge of Book III is evidenced by a series of letters between Marx and Engels in April **1868**. Engels asked Marx how he explained merchant profit and how the general rate of profit is determined with merchant capital. In order to answer this question, Marx replied with a long and detailed summary of Book III. Unfortunately, Engels’ question and Marx’s long answer indicates how little Engels understood about Book III at the time. Marx appears to be explaining all this to Engels for the first time. Marx starts off: “It is proper that you should know the method by which the rate of profit is developed... In Book III we then come to the conversion of surplus-value into its different forms and separate component parts.”

The main general difference between Marx’s manuscript and Engels’ Volume 3 is that Engels’ editing made Marx’s manuscript appear to be much better organized and more complete and finished than it actually was, especially Chapter Five and also Chapter One. However, Engels’ improved organization did not change the overall logical structure of Marx’s manuscript (the order of the chapters/parts is exactly the same) and does not necessarily change Marx’s emphasis or the meaning of specific passages.

The first important misleading change that Engels made was the *title* of the book! Marx’s title of the **Manuscript of 1863–65** was *Die Gestaltungen des Gesamtprozesses (The Forms of the Processes as a Whole)*. We know from the contents of the book that the “*forms*” presented in this book are **particular forms of appearance of capital and surplus-value**—profit, average profit, commercial capital and commercial profit, interest-bearing capital and interest, and landed capital and rent. A better title for Volume 3 would be: *The Forms of Appearance of*

Capital and Surplus-Value. That is what Volume 3 is primarily about.

Unfortunately, Engels deleted *Gestaltungen* from the title, and changed the title to *Gesamtprozess der kapitalistischen Produktion* (*The Process of Capitalist Production as a Whole*). This title misses the main point of Marx's manuscript (which Engels maybe did not fully understand, as discussed above). Book III is indeed about capitalist production as a whole, in the sense of the unity of the process of production (Book I) and the process of circulation (Book II). But more precisely, Book III is about the *particular forms of appearance of capital and surplus-value* (profit, average profit, etc.) that develop out of the processes as a whole already theorized.

However, it seems that this title also does not fit the contents of the book any better than Engels' title. *Gestaltungen* is missing again, and ***Gestaltungen*** is the key word of the title, because the contents of the book are the forms of capital and surplus-value. By the way, *Gestaltungen* was translated by David Fernbach in the Vintage edition of Volume 3 as "Configurations". However, this translation does not capture the concept of *form*, which is very important in Marx's theory and in Book III in particular. Book III is about ***forms*** — the particular forms of appearance of capital and surplus-value.

The English edition volume 37 edited by Lawrence & Wishart and Electric Book in 2010 is based on the 1958 publication of *Capital* by the Foreign Languages Publishing House, Moscow, in which extensive use was made of the English translation by Ernest Untermann (printed by Charles H. Kerr & Co., Chicago, 1909).

By the way, *Gestaltungen* was translated by David Fernbach in the Vintage Books edition of Volume 3 also as "Configurations". However, this translation does not capture the concept of *form*, which is very important in Marx's theory and in Book III in particular. Book III is about ***forms***—the particular forms of appearance of capital and surplus-value.

For further detailed comparisons between Marx's manuscript and Engels' edited Volume 3, see, for example:

In special issue "Marx, Engels, and the Text of Book 3 of Capital" of *International Journal of Political Economy*, 32, 1, 2002 were published:

Guest Editor's Introduction by Regina Roth and Fred Moseley.

Müller Manfred, Jürgen Jungnickel, Barbara Lietz, Christel Sander and Artur Schnickmann. General

Commentary to Marx's Manuscript of *Capital*, Book 3 (1864/65), (pp. 14–34).

Vollgraf, Carl Erich, Jürgen Jungnickel and Stephen Naron. Marx in Marx's Words?: On Engels's Edition of the Main Manuscript of Book 3 of *Capital*, (35–78).

Vitalii Vygodskii and Stephen Naron. Discussion: What Was It Actually That Engels Published in the Years 1885 and 1894? On the Article by Carl-Erich Vollgraf and Jürgen Jungnickel Entitled "Marx in Marx's Words?" (pp. 79–82).

Note. Jungnickel was an editor of Volume 4.2 and Vollgraf is also a MEGA editor. For an exhaustive comparison (in German) of all the changes Engels made, see also the Apparat to Volume 15 (Engels 1894 Volume 3).

and others sources:

Heinrich, Michael. (1996). Engels' Edition of the Third Volume of Capital and Marx's Original Manuscript. *Science & Society*, 60, 4: 452–466.

Roth, Regina. (2002). The Author Marx and His Editor Engels: Different Views on Volume 3 of *Capital*, *Rethinking Marxism*, 14, 2: 59–72.

Roth, Regina. (2009). Karl Marx's Original Manuscripts in the Marx-Engels-Gesamtausgabe (MEGA): Another View *Capital*. In *Re-reading Marx: New Perspectives after the Critical Edition*, edited by R. Bellofiore and R. Fineschi. London: Palgrave.

In the **middle of 1865**, after having finished the draft of **Volume II**, Marx returned to Volume III, and at the same time that he delivered his address on "***Wages, Price and Profit***", where the subjects he had left to write can be observed, when he says: "Rent, interest and industrial profit are different names for different parts of the surplus value of the commodity." The book ends in the seventh chapter on "interest", that is on the question of "fetishism"—where he repeats many of the reflections carried out at the end of the *Theories of Surplus Value of 1863*.

In **December of 1865**, Marx had the three books of his work before his eyes, "like an organic whole". It is the first part of four parts of his planned treatise on capital (the remaining ones: competition, credit, and stock capital), which is the first of six planned treatises (the remaining ones: rent, wages, the State, international relations, the world market). All of this—against Rosdolsky—continues to be the fundamental "Plan" of his entire work. Capital is only the beginning.

In 2015 was published for the first time in English Marx's Economic ***Manuscript of 1864–1865***, translated by Ben Fowkes and edited with an Intro-

duction by Fred Moseley in *Historical Materialism Book Series*, vol. 100, Brill. The publication of an English translation of Marx's original manuscript was an important event in Marxian scholarship. English speaking Marxist scholars can finally compare Engels' Volume 3 with Marx's original manuscript and evaluate for themselves the significance of the differences. The translator Ben Fowkes has very helpfully distinguished in the text between parts of Marx's manuscript that are included in Engels' Volume 3 (marked off by < and >) and parts of Marx's manuscript not included (by default marked off by > and <) (see Translator's Note #2). Fowkes has also prepared a useful Appendix that lists all the pages in Marx's text that were *not* included in Engels' Volume 3.

The final draft of Capital (1866–1880)

From the exposition of the final draft of volume I at the International in 1865 (Speech by Marx to the First International Working Men's Association, June 1865), Marx was convinced that everything he had written in 1859 had been completely forgotten. It was necessary to write an "introductory" chapter on the commodity and money—the subject had not been addressed in the last 8 years, but in any case, he left this introductory chapter for the end, for **1867**. And this is not unimportant. *Capital*, its dialectical, logical, essential, discourse begins with the "*transformation of money into capital*." On this will rest the fundamental aspect of Dussel's pretension to a total reinterpretation of the dialectical discourse of Marx. Marx began the all drafts with the "chapter on capital" (a "chapter" that became a section, a book, three books, and finally, four books in three volumes).

Upon completing the manuscript, Marx must have written **Chapter 1** (Marx 1867) (later to become **Part 1**). Upon finishing it, and after reading the text, Ludwig Kugelmann suggested that Marx elaborate the question of the *form of value*, so Marx added an appendix ("**Form of Value**"), which clarified the question of the "*relative*" and "*equivalent*" forms of exchange value. In the letter to Kugelmann of October, 25 1866 Marx wrote: "It was, in my opinion, necessary to begin again *ab ovo* in the first book, i.e., to summarize the book of mine published by Duncker [*A Contribution to the Critique of Political Economy*] in *one* chapter on commodities and money.

I judged this to be necessary, not merely for the sake of completeness, but because even intelligent people did not properly understand the question, in other words, there must have been defects in the first presentation, especially in the *analysis of commodities*." (MECW, vol. 42, pp. 327–329). In footnote 9 of Chapter 1, Marx noted that "when we employ the word value with no other additional determination, we refer always to exchange value". This footnote disappeared in **1872**, because Marx, for the first time in his life (at the very earliest in 1872) distinguished between "value" and "exchange-value."

Short chronology of Marx's work on volume I of *Capital* we can describe as follows:

1. From January 1866 to beginning of 1867: Chapters 2 through 6.
2. Later: Chapter 1.
3. From April to July 1867: Appendix on the "*Form of Value*".
4. 17 July 1867: the "*Prologue*" to the first edition.
5. From December 1871 to January 1872: a few pages for corrections to the second edition.
6. From 1871 to 1873: second edition and *Postface*.
7. Until 1875: correction to the French edition (important for the discussion with the "*populists*")

After the publication of Volume I, Marx worked relatively little on the manuscripts of Volumes II and III. On the other hand, he immersed himself in an enormous investigation of the agrarian problem in Russia and many other subjects related to these subjects. What is certain is that Marx, challenged by the young *Russian populists*, especially by **Danielson**, had to take a fundamentally new directions in his investigations.

We had thus closed the circle and we could now consider the "*fourth draft*" of *Capital* (**Marx 1867**), that Marx took up in **January of 1866**, the work with which the entire Marxian tradition had begun reading Marx. We had, for the first time, a complete vision of Marx's manuscripts. We could, only now, attempt a proper interpretation—one that did not necessarily depend on the other existing interpretations.

We have now arrived at the end of the description, purely external, of the "four drafts" of *Capital*. The "corpus" of the text is at our disposal. We will have to explore it slowly in the first years of this second century of Marx (that began in 1983). For the first time we have before our eyes the totality of the materials necessary for understanding what Marx "attempted" theoretically to express.

MARX AND HEGEL

The relation between Hegel's philosophy and Marx's theory has long been an important question in Marxian scholarship, and a controversial one, because both authors are so wide-ranging and controversial in themselves, which makes the relation between them even more complicated.

In recent decades, there has been some new thinking about the relation between Hegel's logic and Marx's Capital which goes loosely by the name 'New Dialectics', exemplified by the work of Chris Arthur, Tony Smith, Geert Reuten and Roberto Fineschi. The New Dialectics is different from the old Marxian dialectics (or Diamat), which was concerned primarily with the influence of Hegel on Marx's theory of history, and the eventual triumph of socialism. The New Dialectics, by contrast, is concerned mainly with the influence of Hegel's logic on Marx's theory in Capital of capitalism, as a given historically specific society; hence it is also called 'systematic dialectics' (as opposed to 'historical dialectics'). Different authors have different interpretations of Hegel's logic and systematic dialectics, but they all agree that Hegel's logic is important for understanding Marx's theory in Capital.

On the opposite side, Eugene von Böhm-Bawerk in his book "*Karl Marx and the Close of His System*" (T.F. Unwin, London, 1898) wrote: "Herein lies, I believe, the Alpha and Omega of all that is fallacious, contradictory, and vague in the treatment of his subject by Marx. His system is not in close touch with facts. Marx has not deduced from facts the fundamental principles of his system, either by means of a sound empiricism, or a solid economic-psychological analysis, but he finds it on no firmer ground than a formal dialectic. This is the radical fault of the Marxist system at its birth; from it all the rest necessarily springs."

Marx's dialectic method is not only different from the Hegelian, but is its direct opposite. To Hegel, the life process of the human brain, i.e., the process of thinking, which, under the name of "the Idea," he even transforms into an independent subject, is the demiurgos of the real world, and the real world is only the external, phenomenal form of "the Idea." For Marx, on the contrary, the ideal is nothing else than the material world *reflected* by the human mind and translated into forms of thought.

The mystifying side of Hegelian dialectic Marx criticized at a time when Hegel was still the fashion.

The mystification which dialectic suffers in Hegel's hands, by no means prevents him from being the first to present its general form of working in a comprehensive and conscious manner. With him it is standing on its head. It must be turned right side up again, if you would discover the *rational kernel* within the *mystical shell*.

According to Marx's own words, of course the method of presentation must differ in form from that of inquiry. The latter has to appropriate the material in detail, to analyze its different *forms of development*, to trace out their *inner connexion*. Only after this work is done, can the actual movement be adequately described. If this is done successfully, if the life of the subject-matter is ideally reflected as in a mirror, then it may appear as if we had before us a mere a priori construction.

The force of abstraction

To understand the crisis-ridden nature of capitalist system, one needs to develop Marx's own method of enquiry and materialistic basis of his method, that is, to rescue it from the innumerable attempts to see Marx through a Hegelian lens. Here, the starting point is the conceptualisation, through the application of a clear and workable notion of dialectics as a method of social research, of social phenomena as the unity-in-determination of social relations and social processes. This method rests on three fundamental principles: *that social phenomena are always both potential and realised, both determinant and determined, and subject to constant movement and change*. On this basis, the capitalist economy is seen as being powered by two opposite rationalities: one is the expression of capitalism's tendency towards its own *supersession* and the other is the expression of the counter-tendency towards *reproduction*, even if through crises as potential moments of supersession. The dialectical method reveals the dynamics of capitalism that is gave us the answers for the questions: **what, how and why?** Why and how capitalism attempts to supersede itself while reproducing itself.

Social analysis on the basis of the above-mentioned three principles of dialectics cannot avoid the question of the use of a *dialectical logic* as opposed to *formal logic*. It needs to consider the basic features of formal logic and its relation to dialectical logic. On this basis, we can distinguish between

formal-logical contradictions (mistakes) and *dialectical contradictions*, those which arise from the contradiction between the realised and the potential aspects of *reality*.

“Materialistic basis of my method,” according to Marx’s own words, means that the starting point, as it occurs in Marx, is *empirical observation*. Empirical observation is, of course, filtered through a previous interpretative (theoretical) framework. Phenomena are the basic unit of social reality and as such the starting point of the enquiry. The analogy with Marx’s method in *Capital* should be clear. Marx starts the enquiry into economic life with a *class-determined* analysis of commodities conceived as the unity in contradiction of *use-value* and *exchange-value*. It means that *phenomena* is seen as the **unity-in-contradiction of relations and processes**.

Thus, reality has a double dimension, what has become *realised* and what is only *potentially existent* and might become realised at a future date. In Marx, the existence of, and the relations between, the realised and the potential are fundamental, even if usually disregarded by Marxist commentators. To discover **law of motion** as a realization of possibility (*Möglichkeit*) (or *potentia*, as Marx like to say) was the main task of Marx’s economic writings. For example, “Now the further development (*Entwicklung*) of the potential crisis (*potentia Crisis*) has to be traced—the real (real) crisis can only be deduced from the real movement of capitalist production, competition and credit [...]. Marx uses repeatedly the concepts of “possibility,” “contingency” and “condition.” So, we are exactly situated in a central point of the Hegelian ontology: in the passage from the Essence as a mere “possibility” (abstract potency) to the “reality” of Being (*Dasein*) as real.

For those who are interested in knowing more, we can recommend some resources as follows:

Moseley, Fred and Tony Smith (Eds.). (2014). *Marx’s Capital and Hegel’s Logic: A Reexamination. Historical Materialism Book Series*, vol. 64. Leiden • Boston: Brill. Here are some details:

Introduction by Fred Moseley and Tony Smith
PART 1. Idealism and Materialism

1 Hegel, Marx and the Comprehension of Capitalism by *Tony Smith*

2 Capital Breeds: Interest-Bearing Capital as Purely Abstract Form by *Mark Meaney*

3 Dialectics on Its Feet, or the Form of the Consciousness of the Working Class as Historical Subject by *Juan Iñigo Carrera*

4 Which ‘Rational Kernel’? Which ‘Mystical Shell’? A Contribution to the Debate on the Connection between Hegel’s Logic and Marx’s Capital by *Gastón Caligaris* and *Guido Starosta*

PART 2. Hegel’s Concept and Marx’s Capital

5 The Universal and the Particulars in Hegel’s Logic and Marx’s Capital by *Fred Moseley*

6 On Hegel’s Methodological Legacy in Marx by *Roberto Fineschi*

7 Lost in Translation: Once Again on the Marx — Hegel Connection by *Riccardo Bellofiore*

8 The Secret of Capital’s Self-Valorisation ‘Laid Bare’: How Hegel Helped Marx to Overturn Ricardo’s Theory of Profit by *Patrick Murray*

9 ‘The Circular Course of Our Representation’: ‘Schein’, ‘Grund’ and ‘Erscheinung’ in Marx’s Economic Works by *Igor Hanzel*

PART 3. Different Views of the Dialectic

10. An Outline of the Systematic-Dialectical Method: Scientific and Political Significance by *Geert Reuten*

11 Marx, Hegel and the Value-Form by *Christopher J. Arthur*

12 Dialectics of Labour and Value-Form in Marx’s Capital: A Reconstruction by *Mario L. Robles-Báez*
See also:

Dunayevskaya, Raya. (2001). *The Power of Negativity: Selected Writings on the Dialectic in Hegel and Marx*. (Edited and introduced by Peter Hudis and Kevin B. Anderson). Lexington Books.

Meaney, Mark E. (2002). *Capital as Organic Unity: The Role of Hegel’s Science of Logic in Marx’s Grundrisse. Philosophical Studies in Contemporary Culture*, vol. 9. Dordrecht • Boston • London: Kluwer Academic Publishers.

Saad Filho, Alfredo. (1997). Re-reading both Hegel and Marx: The ‘new dialectics’ and the method of Capital. *Revista de Economia Política*, vol. 17, nº 1 (65), janeiro-março/97.

MYTHS AND MENDACITY

The economists have changed Marx, in various ways; the point is to interpret him—correctly.

Andrew Kliman

There exists the more than century-old **myth of internal inconsistency**. Since internally inconsistent arguments cannot possibly be right, efforts to return to and further develop Marx’s critique of political economy, in its original form, cannot

succeed so long as this myth persists. The myth serves as the principal justification for the suppression and ‘correction’ of Marx’s theories of value, money, profit, and economic crisis. It also facilitates the splintering of what was, originally, a **political-economic-philosophical totality** into a variety of mutually indifferent Marxian projects.

The so-called inconsistency/contradiction arises from trying to turn Marxism into bourgeois economics, in particular through a completely inappropriate and absurd use of reproduction schemes to ‘solve’ for equilibrium market prices using matrix algebra. That was far from being Marx’s approach, and also does not make any sense.

On the website named “*Marx Myths & Legends*” (<http://marxmyths.org/index.php>) you can find many papers of Christopher J. Arthur, Terrell Carver, Paresh Chattopadhyay, Harry Cleaver, Hal Draper, John Holloway, Z.A. Jordan, Joseph McCarney, Humphrey McQueen, Maximilien Rubel, Cyril Smith, Peter Stillman, Francis Wheen, Lawrence Wilde. See also Marxists Internet Archive at <https://www.marxists.org/subject/index.htm>.

Concept of value

It is argued by many critics that Marx’s **value theory** is in whole, incorrect or even false. If Marx’s argument can be proved to be self-contradictory then it can and has often been dismissed as *irrelevant*. However, it is the myth that Marx’ value theory has been proven internally inconsistent.

The presentation of *Capital* is based on a series of conscious abstractions (or deliberate simplifying assumptions) in which much of the complexity of the real world is stripped away to what is most essential for capitalism’s functioning. The justification for these abstractions is that they make intelligible what would otherwise be overwhelmingly complicated. This abstraction is an aid to understanding for the reader. As we move through the three volumes of *Capital*, these simplifying assumptions are gradually abandoned once the most essentially important elements are explained in their interrelationships.

It is at these levels of abstract presentation that those who accuse Marx of inconsistency find fault. If Marx’s system can be shown to fall down at this simplified level of presentation then the more complex picture which it is built up from cannot hope to stand either.

Thus the purpose is to give a reading of the argument in Marx’s *Capital* that shows it to be a coherent whole. It may be done by trying to establish Marx’s theory as true (correctly explaining the real workings of capitalism) or rather by establishing the more modest task of showing it as coherent, that it makes sense on its own terms.

However, a major problem is that many who have claimed to be working in the tradition of Marx have done great violence to the legacy of his thought. The significance of this is that when interpreted according to his own assumptions rather than those incorrectly attributed to him by both his critics and ‘defenders’ (who then feel that he needs correction), Marx’s central argument stands as entirely consistent.

Anyone who is even vaguely familiar with Marx will be aware of his *premise of a theory of value*. It can be demonstrate that the many people who have tried to correct Marx’s system of argument fail to use this premise. There are the varieties of ways in which those who say that Marx’s argument is inconsistent are in fact not basing their own arguments on his premise but instead are smuggling in their own differing assumptions.

These assumptions violate Marx’s principle that **socially necessary labour time** is the only source of a commodity’s value and that surplus labour (labour performed by the worker that is not paid for by the capitalist) is the sole source of surplus value and profit. This contrasts with recent ideas such as *total factor productivity*, which hold **that living labour is not the only source of new value**.

For example, **Steve Keen** say in the article “Use-Value, Exchange-Value, and the Demise of Marx’s Labor Theory of Value,” published in *Journal of the History of Economic Thought* (15, Spring 1993, 107–21), that he “... have shown that the use-value is an essential component of his analysis of the commodity, and that when properly applied, that analysis invalidates the labor theory of value.” He repeated his accuse in the book “Debunking Economics: *The Naked Emperor Dethroned?*” (Revised, Expanded and Integrated Edition) published in 2011 by Zed Books Ltd.

Two works of **Isaak Illich Rubin** (1927, 1928), became a foundation stone of the “value-form” approach to Marxist theory, exemplified by Hans-Georg Backhaus, Chris Arthur, Geert Reuten, and the “Konstanz–Sydney” group (Michael Eldred, Mike Roth, Lucia Kleiber, and Volkbert Roth). In

this interpretation of Marx, “it is the development of the forms of exchange that is seen as the prime determinant of the capitalist economy rather than the content regulated by it.” Capitalism is here understood as a method of regulating human labor by giving it the social form of an exchangeable commodity (the ‘value-form’), rather than a disguised or mystified system that is otherwise similar in content to other class-based societies. According to Christopher J. Arthur, the rediscovery of Rubin’s “masterly exegesis” was “the most important single influence on the value form approach to Capital.”

We propose for further readings following papers:

Westra, Richard and Alan Zuege (Eds.). (2003). *Value and the World Economy Today: Production, Finance and Globalization*. Palgrave Macmillan. Here are some details:

Part I A Retrospective on the Value Debate

1 Value Theory and the Study of Contemporary Capitalism: A Continuing Commitment by *Ben Fine*

Part II Money, Finance and Competition

2 The Rationality and Irrationality of Money by *Simon Clarke*

3 Value, Finance and Social Classes by *Suzanne de Brunhoff*

4 Bridging Differences: Value Theory, International Finance and the Construction of Global Capital by *Dick Bryan*

Part III Production, Crisis and Globalization

5 Globalization: The Retreat of Capital to the ‘Interstices’ of the World? by *Richard Westra*

6 When Things Go Wrong: The Political Economy of Market Breakdown by *Alan Freeman*

7 Value Production and Economic Crisis: A Temporal Analysis by *Andrew J. Kliman*

8 Production and Management: Marx’s Dual Theory of Labor by *Gérard Duménil and Dominique Lévy*

9 Marxian Theory of the Decline of the Rate of Profit in the Postwar US Economy by *Fred Moseley*

Part IV Revisiting the Theory of Value

10 Some Critical Reflections on Marx’s Theory of Value by *Ajit Sinha*

11 What Do We Learn from Value Theory? By *Thomas T. Sekine*

12 Marx’s Value Theory and Subjectivity by *Robert Albritton*

Freeman, Alan. (2010). Trends in Value Theory since 1881. MPRA Paper No. 48646. Posted 27 July 2013 at <https://mpra.ub.uni-muenchen.de/48646/>.

Freeman, Alan, Andrew Kliman, and Julian Wells (Eds.). (2004). *The New Value Controversy and the*

Foundations of Economics. Cheltenham, UK: Edward Elgar.

Rubin, Isaak Illich. (1928). *Essays on Marx’s Theory of Value*. Published by Black and Red, Detroit in 1972; translated by Miloš Samardžija and Fredy Perlman from the 3rd edition, Moscow: Gosudarstvennoe Izdatel’stvo, 1928.

Rubin, Isaak Illich. (1927). *Abstract Labour and Value in Marx’s System*. First published: *Pod Znamenem Marksizma*. Published in English in *Capital and Class*, 5, Summer 1978; translated by Kathleen Gilbert from the German, I.I. Rubin, S.A. Bessonov et al: *Dialektik der Kategorien: Debatte in der UdSSR (1927–29)* (VSA, West Berlin, 1975)

Fullbrook, Edward. (2002). An Intersubjective Theory of Value. In “Intersubjectivity in Economics: *Agents and Structures*, edited by Edward Fullbrook. London and New York: Routledge.

Concept of money

The **theory of money** that Marx developed to go along with his theory of capitalism has long been neglected or subject to criticism. However, there are several reasons to revisit this theory at present: because it may require updating; to see whether it is a historically useful way of analyzing 19th-century capitalism; to determine whether it remains relevant for analysis of 20th-century capitalism; and/or to compare it with some other, possibly less satisfactory, modern theories of money. These varying approaches are related to one another but are not the same. However, the **theory of money** that Marx developed is not about **how to make money by making nothing**.

Many of the authors who use Marx as a reference have dismissed the conception of money he presented right at the beginning of *Capital*, either because they disagreed with his theory of value or because in their opinion this theory did not apply to money. Critical analyses of capitalism have rarely delved into the role played by money as such, preferring to focus on finance whilst disconnecting this particular sphere from the monetary conditions in which it is enshrouded. Hence, there is need to recall a few aspects of Marx’s theory of money that are integrated into his analysis of commodities circulation and the access of workers to wage goods.

It is well-known that Marx criticized the dominant **quantitative theory of money**, which de-

terminated the value of money in reference to the quantity of money in circulation, with the *price of money* being defined as the inverse of the general price level, $1/P$. By the way, after Marx, **Keynes** criticized the “tautological” nature of this quantitative conception; but after having first tried to find a substitute for it during his attempts to develop a *monetary standard of prices*, he ultimately gave up, stating in 1936 that the main attribute of money was its “liquidity” in comparison with other financial assets.

Marx thought that money does not have a price. It generates the *monetary price of commodities*, meaning that it cannot give a price to itself. Hence his central proposition that “commodities enter into circulation with a price and money with a value.” To demonstrate that these two aspects are inseparable, one has to agree that money is more than a mere unit of accounting (although it is this as well) and that goods’ monetary price comprise one condition of their *social valuation* by those who exchange them.

Money in its commodity form (gold) possesses several functions and several forms. Marx highlighted its commodity valuation measurement function, indicating all the while that the *value of gold*, itself a product of labour, could also vary. As a commodity, gold also possesses its own unstable value, “but it is the only commodity that can serve as a standard so nearly approaching an invariable one.”

Marx distinguishes between money as a *measurement of value* and money as a *price standard*. He did this by introducing the gold standard’s *institutional aspect*, whereby the State ensures that a currency circulating across its territory can be converted into gold, meaning into predefined weight gold. The gold standard’s institutional regime also turned money into a unit of price accounting within any given national territory. This implied both forced intervention by the State and specific monetary institutions too.

Today, within countries, currencies are the national units of account, without any reference to gold since 1971. For international transactions, they are convertible into one another, by means of different regimes of rates of exchange. Marx’s theory of money looks to be obsolete. If it still suggests analytical elements for understanding contemporary money, we have to look at the meaning of the “dollar standard” and the constraint of *money as means of payment*.

At a theoretical level, **utility value** began to replace *labour value* as far back as the 1870’s, even as the gold standard regime was starting its international career. The financial sphere also started to develop considerably between 1870 and 1914, something analyzed by **R. Hilferding**, who ultimately abandoned the idea of a labour value of money. This was also a period marked by the development of national price index statistics and tabular standards. Earlier concerns about *monetary price standards* were replaced by a new focus on the levels of and variations in prices that are denominated in national units of accounting defined by the States themselves.

Post-World War I theoretical work focused mainly on *exchange rates* between European national currencies that were no longer convertible into gold; and on the inflation crisis besetting Germany. Year 1917 had seen the birth of the national currencies’ “*Purchasing Power Parity*” theory, which compares currencies’ ability to buy a good trading freely internationally. This notion remains in regular use today, much the same way as Milton Friedman’s post-World War II monetarism transplanted the old quantitative theory of money onto the **neoclassical theory of utility value**.

More detailed discussion you can find in:

Moseley, Fred. (2015). *Money and Totality: Marx’s Logical Method and the End of the ‘Transformation Problem’*. Historical Materialism Book Series, vol. 104. Leiden • Boston: Brill.

Moseley, Fred (Ed.). (2005). *Marx’s Theory of Money: Modern Appraisals*. Houndmills, Basingstoke • New York: Palgrave Macmillan.

Introduction by Fred Moseley

Part I Marx’s Basic Theory of Money

1. The Commodity Nature of Money in Marx’s Theory by *Claus Germer*
2. Marx’s Theory of Money in Historical Perspective by *Duncan Foley*
3. Money as Displaced Social Form: Why Value cannot be Independent of Price by *Patrick Murray*
4. Marx’s Objections to Credit Theories of Money by *Anitra Nelson*
5. Money as Constituent of Value by *Geert Reuten*

Part II Extensions and Reconstructions of Marx’s Theory of Money

6. The Universal Equivalent as Monopolist of the Ability to Buy by *Costas Lapavistas*
7. Value and Money by *Christopher J. Arthur*
8. The Monetary Aspects of the Capitalist Process in the Marxian System: An Investigation from the

Point of View of the Theory of the Monetary Circuit
by *Riccardo Bellofiore*

FMT, LTFRP, LTP, MELT, SSSI, TSSI and others

In Marxist literature, we can find many abbreviations as FMT for Fundamental Marxian Theorem, LTFRP for Law of the Tendential Fall in the Rate of Profit, LTP for Labor Theory of Price, MELT for Monetary Expression of Labor-Time, SSSI for Simultaneous Single-System Interpretation, TSSI for Temporal Single-System Interpretation and so on.

The value theory controversy. Marx's theories need not be interpreted in a way that renders them internally inconsistent. An alternative interpretation developed during the last quarter-century — the **temporal single-system interpretation (TSSI)**— eliminates all of the apparent inconsistencies. The very existence of the TSSI carries with it two important consequences. The allegations of inconsistency are unproved. Second, they are implausible. When one interpretation makes the text make sense, while others fail to do so because they create avoidable inconsistencies within the text, it is not plausible that the latter interpretations are correct. Thus the charges of inconsistency, founded on these interpretations, are implausible as well. TSSI is simply an interpretation of two quite limited aspects of Marx's value theory. It focuses on the 'quantitative' dimension of Marx's value theory.

In recent years, Marx's critics have found it increasingly difficult to defend the allegations of inconsistency against the TSSI critique. Thus they generally try to avoid this issue altogether. Instead, they now prefer to debate the pros and cons of Marx's work and of alternative approaches to Marxian economic analysis.

Many people who have encountered the internal inconsistency charges have lacked the background in mathematics and economics needed to evaluate the charges for themselves, or even to fully understand the issues. This problem has been aggravated — intentionally or not — by the excessively abstruse, jargon-filled, and mathematical manner in which Marx's critics have typically presented their case. In light of these obstacles to understanding, many non-specialists have simply chosen to take the experts' conclusions on faith. Others have turned their backs on debates that they experience as technical and trifling. Unfortunately, this latter response also allows the experts' conclusions to go unchallenged.

On the standard interpretation, Marx had a simultaneist and dual-system theory:

inputs and outputs are valued **simultaneously**, so input and output prices are necessarily equal, and there are **two** separate systems of values and prices.

According to the temporal single-system interpretation (TSSI) of Marx's theory, however:

valuation is temporal, so input and output prices can differ, and

values and prices, though quite distinct, are determined *interdependently*.

Once these two simple modifications are made, all of the alleged inconsistencies in the *quantitative* dimension of Marx's value theory are eliminated.

Dozens of accounts have told us that rigorous mathematical demonstrations — often coming from the Marxist camp itself — have proved that Marx's theories of value, profit, and economic crisis are riddled with logical inconsistencies and errors, and that these proofs have withstood the test of time. It is therefore necessary either to reject or correct his work. Those who refuse to accept that such inconsistency has been proved have "done much damage to the intellectual credentials of Marxian political economy." (Howard and King, 1992: xiii)

It is important not to confuse logical validity with truth. Logically valid arguments can have false conclusions (if they begin from false premises). Critics of the TSSI often seem to be confused about this. Proponents of TSSI interpretation simply say the claims that his value theory is necessarily wrong, because it is logically invalid, are false.

The main reason why the question of internal inconsistency is so important is precisely that Marx's value theory would be necessarily wrong if it were internally inconsistent. Internally inconsistent theories may be appealing, intuitively plausible and even obvious, and consistent with all available empirical evidence — but they cannot be right. It is necessary to reject them or correct them. Thus, the alleged proofs of inconsistency trump all other considerations, **disqualifying Marx's theory at the starting gate**. Indeed, if Marx's theory of value is false the whole Marx's economic manuscripts are monkey work!

The reclamation of *Capital* from the myth of inconsistency is therefore an absolutely necessary and vital precondition to any efforts to reclaim it in more ambitious ways. It is of course possible to reclaim particular aspects of the work that are (largely) unrelated to its value theory without dis-

proving the allegations of inconsistency. But that is something different from reclaiming Capital itself, as a totality. **Raya Dunayevskaya** puts forth the perspective of a return to Marx's Marxism as a totality (see: <https://www.marxists.org/archive/dunayevskaya/> or <http://rayadunayevskaya.org/>).

Another reason why I consider the question of internal inconsistency so important is that the whole of the century-long controversy over Marx's value theory has fundamentally been about this one question. Only incidentally and derivatively has it been a debate about the meaning and significance of his work. His critics' primary, conscious, and avowed aims have been to discredit the logic of his arguments — thereby disqualifying his theory, in its original form, from further consideration — and then to correct his supposed logical errors. The different schools that have arisen in and around Marxian economics since the 1970s (**Sraffianism**, the **New Interpretation**, **Value-Form Analysis**, and so on) are in essence just different ways of correcting or circumventing these supposed errors and working out the consequences.

Transformation problem

Of all the fashionable 'corrections' of Marx's Capital, none has been performed so often as the transformation of values into prices. From Bortkiewicz to Samuelson, bourgeois 'science' has felt itself impelled to improve, correct or revise Marx on this question. With Sweezy's introduction of the Bortkiewicz 'correction' of Marx to the English speaking world in 1946, another round of 'solutions' began. Although many differ in form from the Bortkiewicz/Sweezy contribution, and some avoid the more obvious errors, they treat the problem in a more or less similar way.

The long and continuing controversy over Marx's analysis of the 'transformation problem' has not paid sufficient attention to the logical method employed by Marx in the three volumes of *Capital*. The most common interpretation of the transformation problem is based not only on the work of **Bortkiewicz**, **Sweezy**, but also of **Seton**, **Morishima**, **Medio**, **Steedman** and others. This interpretation of Marx's theory is referred by many authors as the "**neo-Ricardian**" interpretation. The logical method attributed to Marx's theory by this interpretation is essentially the same as the method of **linear production theory** (e.g., **Sraffa's theory**). However, the

logical method of linear production theory differs in fundamental respects from Marx's own method and thus that the conclusions reached by the "neo-Ricardian" interpretation of Marx's theory do not apply to Marx's theory, but instead apply only to linear production theory.

The modern "neo-Ricardian" school is largely inspired by the work of the Italian-British economist and Ricardo scholar **Piero Saffra** (1898–1983). However, elements of the "neo-Ricardian" critique can be traced back to early 20th-century Russian economist **V.K. Dmitriev**. Other prominent economists and writers often associated with this school include the German Ladislaus von Bortkiewicz (1868–1931) and the British Ian Steedman.

The Japanese economist **Nobuo Okishio** (1927–2003), best known for the "**Okishio theorem**"—much more on this in the second part of this reply — evolved from marginalism to a form of "critical Marxism" that was strongly influenced by the "neo-Ricardian" school.

In the late 20th century, the most prominent "neo-Ricardian" was perhaps Britain's **Ian Steedman**. While Sraffa centered his fire on neoclassical marginalism, Steedman has aimed his at Marx. His best-known work is "*Marx after Sraffa*" (1977, New Left Books). The "neo-Ricardian" attack on Marx centers on the so-called *transformation problem* and the *Okishio theorem*.

As Steedman likes to put it, the rate of profit in terms of prices of production is not determined by the (labor) value rate of profit. Instead, Steedman holds that the (labor) value rate of profit and the rate of profit in terms of prices of production — prices that equalize the rate of profit among the different branches of production — are not the same. Therefore, the rate of profit is not determined by the value rate of profit but rather by the physical conditions of production and the real wage. Steedman therefore concluded that the whole Marx's concept of value is meaningless and should be abandoned.

The Okishio theorem allegedly disproves mathematically Marx's law of the tendency of the rate of profit to fall. However, the transformation problem is more fundamental than the Okishio theorem, since it involves the truth or fallacy of Marx's **law of value** itself.

The most influential attack on Marx's transformation procedure was mounted by Ladislaus von Bortkiewicz and was brought to the attention of a modern readership by Paul Sweezy. Indeed, ac-

According to the neo-Ricardian interpretation, Marx's analysis of the determination of prices of production is logically incomplete and contradictory because Marx failed to transform the amounts of constant capital and variable capital invested in each industry from value magnitudes to price magnitudes. This criticism began with works of Bortkiewicz. **Paul M. Sweezy** (1910–2004) repeated this criticism in his influential *Theory of Capitalist Development: Principles of Marxian Political Economy* (1942, First edition, London: Dennis Dobson Ltd.).

In the subsequent debate, it was concluded that it is possible to correct Marx's 'error' and to complete the transformation of the inputs of constant capital and variable capital from value magnitudes to price magnitudes. However, three important implications follow from this "neo-Ricardian" 'solution': (1) only one of Marx's two aggregate equalities can in general hold at the same time; (2) the 'price' rate of profit will not be equal to the 'value' rate of profit; and (3) the Volume 1 analysis of the value system is 'redundant' or an 'unnecessary detour' because the same prices and rate of profit can be derived directly from the given technical conditions of production and real wage.

The first important difference between the neo-Ricardian interpretation and Marx's theory has to do with the order of determination between aggregate economic magnitudes (such as total price or total profit) and the corresponding individual magnitudes. The neo-Ricardian interpretation generally ignores aggregate magnitudes, but it implicitly assumes that these aggregate magnitudes are determined subsequent to individual magnitudes as the sum of these individual magnitudes. I argue, to the contrary, that in Marx's theory, **aggregate magnitudes are determined prior to and independent of individual magnitudes**. Individual magnitudes are then determined at a later stage of the analysis, with the predetermined aggregate magnitudes taken as given.

A second important difference between the "neo-Ricardian" interpretation and Marx's method has to do with precisely what is taken as given, first of all in Marx's *theory of surplus-value* in Volume 1 and then in his *theory of prices of production* in Volume 3. The "neo-Ricardian" interpretation assumes that the fundamental givens in both of these stages of Marx's theory are the same as those in linear production theory: the physical quantities of the *technical conditions of production and the real*

wage. It is argued, to the contrary, that the fundamental givens in Marx's theory are *quantities of money, quantities of abstract labor, and the quantity of money that represents one hour of abstract labor*.

In recent years, a "New Solution" (also called "New Interpretation") to the transformation problem has emerged that occupies a sort of middle ground between the "neo-Ricardian" interpretation and the interpretation of TSSI. This new solution was originally presented independently by Duncan **Foley**, Gerard **Duménil**, and Alain **Lipietz** and has gained increasing attention and acceptance among Marxian and radical economists (although no doubt it is still a minority view).

For further reading see, for example:

Freeman, Alan & Carchedi, Guglielmo (Eds.). (1996). *Marx and Non-equilibrium Economics*. Cheltenham, UK: Edward Elgar.

Contents:

Foreword by A. Freeman & G. Carchedi

Introduction 1. The Psychopathology of Walrasian Marxism by A. Freeman

2. One System or Two? The Transformation of Values into Prices of Production versus the Transformation Problem by T. McGlone & A. Kliman

3. The Transformation of Values into Prices of Production: A Different Reading of Marx's Text by A. Ramos-Martinez & A. Rodriguez-Herrera

4. Money, the Postulates of Invariance and the Transformation of Marx into Ricardo by A. Rodriguez-Herrera

5. Time, Money, Equilibrium: Methodology and the Labour Theory of the Profit Rate by M.I. Naples

6. The Value of Money, the Value of Labour Power and the Net Product: An Appraisal of the 'New Approach' to the Transformation Problem by A. Saad-Filho

7. The Transformation Procedure: A Non-Equilibrium Approach by A. Carchedi & W. de Haan

8. Non-Equilibrium Market Prices by G. Carchedi

9. Demand, Supply and Market Prices by P. Giussani

10. A Value-Theoretic Critique of the Okishio Theorem by A. Kliman

11. Price, Value and Profit — A Continuous, General, Treatment by A. Freeman

Kliman, Andrew. (2007). *Reclaiming Marx's "Capital": A Refutation of the Myth of Inconsistency*. Raya Dunayevskaya Series in Marxism and Humanism. Lanham • Boulder • New York • Toronto • Plymouth: Lexington Books.

Crisis theory

“The contradictions inherent in the movement of capitalist society impress themselves upon the practical bourgeois most strikingly in the changes of the periodic cycle, through which modern industry runs, and whose crowning point is the universal crisis.”

Karl Marx

The alternation of boom and slump, the coexistence of overwork and unemployment, of staggering wealth alongside devastating poverty, of concentrations of power alongside hopeless impotence is as much a feature of capitalism today as it was a century and more ago. The sense of a world beyond human control, of a world driven to destruction by alien forces, is stronger today than it has ever been. The gulf between the bland assurances of the bourgeois economist and the reality of life for the mass of the world’s population has never been wider.

The theory of crisis has played a central role in the Marxist tradition, but at the same time it has been one of the weakest and least developed areas of Marxist theorizing. The tendency to crisis provided the starting point for the early economic studies of Marx and Engels, and it was with the problem of crisis that Marx resumed his economic studies in 1857, but nowhere in his own work does Marx present a systematic and thoroughly worked-out exposition of a theory of crisis. At various times Marx appears to associate crises with the tendency for the rate of profit to fall, with tendencies to overproduction, underconsumption, disproportionality and over-accumulation with respect to labour, without ever clearly championing one or the other theory.

For Marx, the proximate cause of crises is the fall in the average rate of profit (ARP). An increasing number of studies have shown that this thesis not only is logically consistent but is also supported by a robust and growing empirical material. If *falling profitability* is the cause of the slump, the slump will end only if the economy’s profitability sets off on a path of sustained growth. On the opposite, many authors underline that Marx did not write a systematic treatise on capitalist crises. His major comments on the subject are spread around his major economic writings, as well as his articles for the New York Daily Tribune.

Within the Marxist tradition three quite distinct theories of crisis have been proposed, based on rather different specifications of the underlying contradiction. These are underconsumptionist theory, which dominated the Marxism of the Second International, disproportionality theories, which became popular in the early twentieth century, and theories which associate crises with the falling tendency of the rate of profit, which have come to dominate contemporary Marxism.

Simon Clarke in his book *“Marx’s Theory of Crisis”* (1994) provides a useful account of what socialists after Marx have had to say on the subject of crisis and the debates that have taken place amongst Marxists at different times when the system has seemed to defy the basic theory. Although Clarke sees himself as part of the Marxist tradition, there is not much left of Marxist theory once he has finished. His main theme is that much of what Marx had to say about crisis and the system was valid but that ultimately Marx did not have a single theory of crisis but at least three.

I recommend reader to read papers in special issue “Marx and the Crisis” in *International Journal of Political Economy*, vol. 40, No. 3, Fall 2011 with papers of Riccardo Bellofiore, Vladimiro Giacche, Guglielmo Forges Davanzati, Geert Reuten, Fred Moseley, Andrea Micocci.

Steve Keen, who by means is not Marxist, predicted the financial crisis as long ago as December 2005, and warned back in 1995 that a period of apparent stability could merely be “the calm before the storm.” His leading role as one of the tiny minority of economists to both foresee the crisis and warn of it was recognized by his peers when he received the Revere Award from the *Real-World Economics Review* for being the economist who most cogently warned of the crisis, and whose work is most likely to prevent future crises. He is the author of the book titled *“Can we avoid another financial crisis?”* published by Polity Press in 2017.

The idea that it is the level of credit and the pace of its rise that is the main criterion for gauging the likelihood of a slump in capitalist production also lies behind the view of another heterodox economist, **Michael Hudson** in his book *“Killing the Host: How Financial Parasites and Debt Bondage Destroy the Global Economy.”* Hudson’s main contention that the FIRE economy—finance, insurance, and real estate—cripples the “real” economy and is slowly reducing most of us to debt bondage. Hudson goes

further. For him, the old system of industrial capitalism—hiring labor, investing in plants and equipment and creating real wealth backed by tangible goods and services—has been eclipsed by the re-emerging dominance of a parasitic neo-feudal class. It is this elite, not industrial capitalists, who are the foundation of most of our economic woes. The 2008 crisis was not a typical boom and bust housing crash of capitalism but the logical conclusion of financial parasites slowly bleeding most of us dry.

Thus we have a model of capitalism where crises result from ‘imperfections’ in the capitalist model, either due to a lack of competition and the growth of financial rentiers (Hudson) or due to excessive credit (Keen). Moreover, crises are the result of a chronic lack of demand caused by squeezing down wages and raising the level of debt for households. The latter thesis is not new—as many mainstream economists have argued similarly (It is debt, stupid!) and it dominates as the cause of crises on the left. Obviously we can hear that recessions are not inevitable—they are not mysterious acts of nature that we must accept. Instead recessions are a product of a financial system that fosters too much household debt.

The key omission in this view of crises is any role for profit and profitability—which is after all the core of Marx’s analysis of capitalism—a mode of production for profit not need. Profit is missing from Keen’s analysis. Indeed, Keen considers Marx’s theory of value to be **wrong** or **illogical**, accepting the standard “neo-Ricardian” interpretation and Marx’s law of the tendency of the rate of profit to fall as being irrelevant to a theory of crises. **Hudson** has nothing to say about Marx’s key insights.

The argument that credit plays a key role in capitalism; and ‘excessive credit’ does so in crises was first explained by Marx. As Marx wrote in Volume 3 of Capital, “...in a system of production where the entire interconnection of reproduction process rests on credit, a crisis must inevitably break out if credit is suddenly withdrawn and only cash payment is accepted...at first glance, therefore the entire crisis presents itself as simply a credit and monetary crisis”. (p. 621) But that is at “first glance”. Behind the financial crisis lies the *law of profitability*: “...the real crisis can only be deduced from the real movement of capitalist production” (Theories of Super Value, vol. 2). The fundamental cause of the economic crisis in the economy was a significant long-term decline in the rate of profit. Capitalists responded to this profitability crisis by attempting to restore their

rate of profit by a variety of strategies, including wages and benefit cuts, inflation, speed-up on the job, and globalization.

Starting with **Henryk Grossman** (1881–1950) and continuing with the work of many scholars very recently, such as Tapia Granados, Michael Roberts, Guglielmo Carchedi, and others, they find that there is a **causal connection** between the movement of profitability, profits and slumps in investment and GDP.

We do not develop this theme further. The nature of the contemporary global political economy and the significance of the crisis are a matter of wide-ranging intellectual and political debate, which has contributed to a revival of interest in Marx’s critique of political economy. May be, it will be theme of our further paper.

We can recommend you some interesting works, as follows:

Hudson, Michael. (2002). *Super Imperialism: The Economic Strategy of American Empire* (2nd ed.). London: Pluto Press.

Hudson, Michael. (2010). *The Transition from Industrial Capitalism to a Financialized Bubble Economy. Working Paper No. 627*, Levy Economics Institute of Bard College, Annandale-on-Hudson, NY.

Hudson, Michael. (2012; 2014 Update Edition). *The Bubble and Beyond: Fictitious Capital, Debt Deflation and the Global Crisis*. ISLET-Verlag.

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Hudson, Michael. (2017). *J Is for Junk Economics: A Guide to Reality in an Age of Deception*. ISLET-Verlag.

Carchedi, Guglielmo. (2011). *Behind the Crisis: Marx’s Dialectics of Value and Knowledge*. Leiden • Boston: Brill.

Keen, Steve. (2017). *Can We Avoid another Financial Crisis? (The Future of Capitalism)*. Cambridge • Oxford • Boston • New York: Polity Press.

Keen, Steve. (2017). *Debunking Economics: The Naked Emperor Dethroned? Revised and Expanded Edition*. London • New York: Zed Books.

Mattick Jr., Paul. (2011). *Business as Usual: The Economic Crisis and the Failure of Capitalism*. London: Reaktion Books.

Mattick Sr., Paul. (1974, 1981). *Economic Crisis and Crisis Theory*. London: Merlin Press (1981 edition).

Available at <https://www.marxists.org/archive/mattick-paul/1974/crisis/index.htm> or

<https://libcom.org/library/economic-crisis-and-crisis-theory-mattick>.

Foster, John Bellamy and Fred Magdoff. (2009). *The Great Financial Crisis: Causes and Consequences*. New York: Monthly Review Press.

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Grossman, Henryk. (1922). *The Theory of Economic Crises*. *Bulletin International de l'Académie Polonaise des Sciences et des Lettres. Classe de Philologie. Classe d'Histoire et de Philosophie. I Partie*. Les Années 1919, 1920, 1922, Kraków.

Callinicos, Alex. (2010). *Bonfire of Illusions: The Twin Crises of the Liberal World*. Cambridge: Polity Press.

Albo, Greg, Gindin, Sam, & Panitch, Leo. (2010). *In and Out of Crisis: The Global Financial Meltdown and Left Alternatives*. Oakland, CA: PM Press.

Brooks, Mick. (2012). *Capitalist Crisis: Theory and Practice: A Marxist Analysis of the Great Recession 2007–11*. Expedia.

Duménil, Gerard, & Lévy, Dominique. (2011). *The Crisis of Neoliberalism*. Harvard: Harvard University Press.

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Gindin, Sam, & Panitch, Leo. (2013). *The Making of Global Capitalism: The Political Economy of American Empire*. London: Verso.

Harvey, David. (2010). *The Enigma of Capital: And the Crises of Capitalism*. London: Profile Books.

Lapavistas, Costas. (2014). *Profiting Without Producing: How Finance Exploits Us All*. London: Verso.

McNally, David. (2011). *Global Slump: The Economics and Politics of Crisis and Resistance*. Oakland, CA: PM Press.

Magdoff, Fred, & Yates, Michael D. (2009). *The ABCs of the Economic Crisis: What Working People Need to Know*. New York: Monthly Review Press.

Roberts, Michael. (2016). *The Long Depression: How it Happened, Why it Happened and What Happens Next*. Chicago, Ill.: Haymarket Books.

Shaikh, Anwar. (2016). *Capitalism: Competition, Conflict, Crises*. Oxford: Oxford University Press.

Socialist Register 2012: The Crisis and the Left. Edited by Leo Panitch, Greg Albo and Vivek Chibber. Socialist Register, Merlin, 2011.

Socialist Register 2011: The Crisis This Time. Edited by Leo Panitch, Greg Albo and Vivek Chibber. Socialist Register, Merlin, 2010.

Subasat, Turan (Ed.). (2016). *The Great Financial Meltdown: Systemic, Conjunctural or Policy Created?* Cheltenham: Edward Elgar.

Ticktin, Hillel (Ed.). (2011). *Marxism and the Global Financial Crisis*. London: Routledge. Originally published as a special issue of *Critique*, Vol. 38, No. 3, 2010, p. 349–518.

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HOW CAPITALISM SURVIVES AND HOW WILL CAPITALISM END?

“Before capitalism will go to hell, it will for the foreseeable future hang in limbo, dead or about to die from an overdose of itself but still very much around, as nobody will have the power to move its decaying body out of the way.”

Wolfgang Streeck

In November, 2014 was conducted London version of the Historical Materialism conference, which for those who do not know is an annual gathering of mainly Marxist academics, students and activists organized by the *Historical Materialism Journal*. The theme was *How Capitalism Survives* and was apparently attended by over 750 scholars, academics and activists.

On the other hand, we have Wolfgang Streeck's new book titled *How Will Capitalism End? Essays on a Failing System*. He is also author of *Buying Time: The Delayed Crisis of Democratic Capitalism*. The provocative political thinker asks if it will be with a bang or a whimper.

After years of ill health, capitalism is now in a critical condition. Growth has given way to stagnation; inequality is leading to instability; and confidence in the money economy has all but evaporated. There is a widespread sense today that capitalism is in critical condition, more so than at any time since the end of the Second World War. Looking back, the *crash of 2008* was

Wolfgang Streeck (born 27 October 1946 in Lengerich) is a German economic sociologist and emeritus director of the Max Planck Institute for the Study of Societies in Cologne. Streeck was born “just outside Münster”, the son of refugees—ethnic Germans from Eastern Europe displaced by the end of the Second World War. His mother was a Sudeten German from Czechoslovakia. Streeck studied sociology at the Goethe University Frankfurt and pursued graduate studies in the same discipline at Columbia University between 1972 and 1974. In 1974 he became assistant professor in sociology at the University of Münster and in 1986 finished his habilitation in sociology at Bielefeld University. Between 1988 and 1995 he worked as professor of sociology and industrial relations at the University of Wisconsin–Madison, returning to Germany in 1995 to take up the post of director of the Max Planck Institute for the Study of Societies and working as professor of sociology at the University of Cologne. He retired from his directorship in 2014, becoming emeritus director.

Streeck’s research is focused on analyzing the political economy of capitalism, wherein he proposes to take on a dialectical approach to institutional analysis as opposed to the more rigid varieties of capitalism. He has written extensively on the political economy of Germany and more recently has involved himself in debates over the politics of austerity, the rise of what he terms the debt-state as a result of the neoliberal revolution of the 1980s and the future of the European Union.

For details see: <https://wolfgangstreeck.com/category/sprachen/english-sprachen/page/2/>

only the latest in a long sequence of political and economic disorders that began with the end of postwar prosperity in the mid-1970s. Successive crises have proved to be ever more severe, spreading more widely and rapidly through an increasingly interconnected global economy. Global inflation in the 1970s was followed by rising public debt in the 1980s, and fiscal consolidation in the 1990s was accompanied by a steep increase in private-sector indebtedness. For four decades now, disequilibrium has more or less been the normal condition of the ‘advanced’ industrial world, at both the national and the global levels. In fact, with time, the crises of postwar OECD capitalism have become so pervasive that they have increasingly been perceived as more than just economic in nature, resulting in a rediscovery of the older notion of a capitalist society — of capitalism as a social order and way of life, vitally dependent on the uninterrupted progress of *private capital accumulation*.

Crisis symptoms are many, but prominent among them are three long- term trends in the trajectories of rich, highly industrialized — or better, increasingly *deindustrialized* — capitalist countries. The first is a persistent *decline in the rate of economic growth*, recently aggravated by the events of 2008. The second, associated with the first, is an equally persistent *rise in*

overall indebtedness in leading capitalist states, where governments, private households and non-financial as well as financial firms have, over forty years, continued to pile up financial obligations. Third, *economic inequality*, of both income and wealth, has been on the ascent for several decades now, alongside rising debt and declining growth.

The acclaimed analyst of contemporary politics and economics Wolfgang Streeck argues that the world is about to change. The marriage between democracy and capitalism, ill-suited partners brought together in the shadow of World War Two, is coming to an end. The regulatory institutions that once restrained the financial sector’s excesses have collapsed and, after the final victory of capitalism at the end of the Cold War, there is no political agency capable of rolling back the liberalization of the markets. Ours has become a world defined by declining growth, oligarchic rule, a shrinking public sphere, institutional corruption and international anarchy, and no cure to these ills is at hand.

Streeck’s title question — though never answered — opens a window onto the conflict between capitalism and democracy in the neoliberal era. That such a conflict exists is no surprise in Brazil, and still hidden to many in the United States, but a rude and inescapable shock to those who grew up

with the comfortable illusions and utopian hopes of post-war Europe.

In *Socio-Economic Review* (2016, Vol. 14, No. 1, 163–183; <http://ser.oxfordjournals.org>) you can find very interesting discussion on the theme “Does capitalism have a future?” This discussion forum was based on the roundtable discussion at the 27th Annual Conference of the Society for Advancement of Socio-Economics (SASE, <https://sase.org/>) hosted at the London School of Economics. The discussion presents recent work on capitalism as an evolving historical formation by Wolfgang Streeck and Craig Calhoun, together with contributions by British journalist Polly Toynbee and SASE founder Amitai Etzioni. The SASE 29th Annual Conference was held from 29th June to 1st July 2017 at the University of Lyon, France. The theme of the conference was “What’s Next? Disruptive/Collaborative Economy or Business as Usual?”

Indeed, the observation that capitalism in various forms has been around for several hundred years is commonly seen as an argument that it will go on forever: that it is an eternal, natural system for organising the economy. While economic crises are an undeniable reality and sometimes bring protests, there remains little understanding or acceptance of the Marxist conclusion that capitalist social relations are an increasingly dysfunctional, reactionary way in which to organise the affairs of humanity. So, it is an open question: changing the rules or changing the game?

For further readings, we recommend:

Streeck, Wolfgang. (2014). *How Will Capitalism End?* *New Left Review*, 87, May/June.

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Streeck, Wolfgang. (2017). *Buying Time: The Delayed Crisis of Democratic Capitalism*. Second Edition with a New Preface. London • New York: Verso Books.

James Galbraith. (2015). *The End of Normal: The Great Crisis and the Future of Growth*. New York: Simon and Schuster Paperbacks.

Current Facts

Has Marx been reanimated once again? From mainstream media to academia, this question hangs in the air. The old ghosts of revolution ap-

pear to be shaking off their shackles and getting agitated. What is this spirit? Who are the militants haunting this ramshackle capitalism? Are these new spectres—stalking the streets of Syria, Tunisia and Egypt, Athens, Spain and Wall Street and beyond—direct descendants of socialist and communist ones? How does the past haunt the present? How might the present spook the future?

The Historical Materialism conferences are not a conventional academic conference but rather a space for discussion, debate and the launching of collective projects. We therefore discourage “cameo appearances” and encourage speakers to participate in the whole of the conference. More detailed information you can find at <http://www.historicalmaterialism.org>.

Fourteenth Annual Conference: **Revolutions against Capital, Capital against Revolutions?** (9th – 12th November 2017). Organised in collaboration with the Isaac and Tamara Deutscher Memorial Committee and Socialist Register.

Thirteenth Annual Conference, 10–13 November 2016: **Limits, Barriers and Borders**

Twelfth Annual Conference, 5th–9th November 2015: **Austerity and Socialist Strategy**.

The Old is Dying and the New Cannot Be Born: **States, Strategies, Socialisms**

Eleventh Annual Conference, 6th–10th November 2014: **How Capitalism Survives**

Tenth Annual Conference, 7th–11th November 2013: **Making the World Working Class**

Ninth Annual Conference, 8th–12th November 2012: **Weighs Like a Nightmare**

Capital.150: Marx’s Capital Today

The Department of European and International Studies and the thenextrecession.wordpress.com blog are co-sponsoring a major international conference to mark the 150th anniversary of the publication of Volume I of Karl Marx’s *Capital* in September 1867. Conference was held from 19th to 20 September 2017 in London. Themes of the conference were, as follows:

Crises

Guglielmo Carchedi — *The old is dying and the new cannot be born: the exhaustion of the present phase of capitalist development*

Rolf Hecker — *Marx’s critique of capitalism during the 1857 crisis*

Paul Mattick Jr. — *Crisis: abstraction and reality*

Ben Fine, discussant

Imperialism

Marcelo Dias Carcanholo, *Dependency, super-exploitation of labour and crisis — an interpretation from Marx*

Tony Norfield, *Das Kapital, finance, and imperialism*

Raquel Varela (& Marcelo Badaró Mattos), *Primitive accumulation in Das Kapital*

Mapping the terrain of anti-capitalist struggles (6–8pm)

David Harvey, *Perspectives from the Circulation of Capital*

Michael Roberts, *Perspectives from the Accumulation of Capital*

The future of capital

Alex Callinicos, *Continuing Capital in the face of the present*

Hannah Holleman, *Capital and socio-ecological revolution*

Fred Moseley, *The rate of profit and the future of US capitalism*

Eduardo Motta Albuquerque, *Technological revolutions and changes in the centre-periphery divide*

Labour and beyond

Tithi Bhattacharya, *Social reproduction theory: conceiving capital as social relation*

Michael Heinrich, *Communism in Marx's Capital*

Lucia Pradella, *Marx's Capital and the power of labour: imperialism, migration, and workers' struggles*

Beverly Silver, *Marx's general law of capital accumulation and the making and remaking of the global reserve army of labour*

From 24 to 26 May 2017 at York University (Toronto, Canada) was held International Conference: **Marx's Capital after 150 Years — Critique and Alternative to Capitalism**, with attendance of so controversial Marxists as, for example, Moishe Postone, Etienne Balibar, Leo Panitch, John Bellamy Foster, Richard Wolff, and Terrell Carver. Here are some details:

Dissemination and Reception of Capital in the World: A Roundtable

Marcello Musto (York University, Canada)

Michael Kraetke (Lancaster University, UK)

Tomash Dabrowski (Northwestern University, USA)

Babak Amini (London School of Economics, UK)

Seongjin Jeong (Gyeongsang National University, South Korea)

Ricardo Antunes (State University of Campinas, Brazil)

The Politics of Capital

Mauro Buccheri (York University, Canada), *The Persistence of Marx's Humanism: From the 'Economic and Philosophical Manuscripts of 1844' to 'Capital'*

George Comninel (York University, Canada), *The Political Theory of 'Capital': Fetishism of Commodities*

Ricardo Antunes (State University of Campinas, Brazil), *Circulation, Value, and the New Service Proletariat*

Terrell Carver (University of Bristol, UK), *Performativity, Parody and Post-Marxism: Reading 'Capital' all over Again*

Beyond Labour and Capital

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Aristotle on Money and on Economy: First remarks¹

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Abstract. This proposed paper (being a part of a work in progress on money and on monetary/economic crises' conceptualization) examines the institutional facet and the symbolic function of money as its diachronical qualities; this global perception of money and of monetary phenomena is integrated, thus, in the assumption that objective functions inheres in them, corresponding to respective historical conjuncture. The obvious outcome is that each historical period accentuates the different economic concepts—and their philosophical representation or their synthesis—according to the existing stage of the market's evolution. In this methodological framework, in the first part will be examined the variable historical phases in the process of monetary integration, as far as the different characteristics of monetary globalization—in historical perspective—are specified. It is then useless to state that the “global” concept is referred not only to an interdisciplinary approach of money but equally to the diversified levels of globalization, the latest perceived as historical phases in market's evolution. The past experience of monetary “integration” being briefly presented, in the second part of the article are depicted Aristotle's notions on institutional characteristics and social/symbolic functions of money. Secondly, Plato's *Politeia* offers to the research a systemic differentiation on parallel monetary units, i.e. the simultaneous function of local and global monetary systems. The paper investigates the question if the platonic perception of local and global currency reflects an historical reality in Athens of classic times. Although, the purpose for the use of philosophical perceptions on money is not to depict the Aristotelian and Platonic economic ideas, but to enlarge the historical concepts as regards money's qualities.

Keywords: money; sociology of money; cultural history of money; classical political philosophy; Aristotle; Plato; Ancient Greek monetary history; political ontology.

Аристотель о деньгах и об экономике: предварительные заметки

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Аннотация. Настоящая статья (являющаяся частью исследований по выработке концептуальных основ понятий денег, монетарных и экономических кризисов) посвящена институциональному аспекту и символической функции денег как их диахронических качеств. Такое общее понимание денег и монетарных явлений объединяется в предпосылке наличия объективных функций имманентно им присущих и отвечающих соответствующей исторической обстановке. В результате

каждый исторический период формирует соответствующие ему понятия, а также их философский вид или их синтез в соответствии с существующим уровнем развития рынка. В рамках такого методологического подхода в первой части статьи проанализированы различные фазы в процессе монетарной интеграции в меру как – в исторической перспективе – будут определены различные характеристики монетарной глобализации. Лишним будет, стало быть, подчеркивать, что такое «глобальное» понимание соотносится не только с междисциплинарным подходом к вопросу денег, но и в равной степени с различными уровнями глобализации, понимаемыми здесь как исторические фазы развития рынка. Во второй части статьи представлена краткая характеристика последнего опыта монетарной «интеграции» на фоне замечаний Аристотеля по вопросу институциональных характеристик и социально-символических функций денег. Во-вторых, Политика Платона представляет исследователям систематическую дифференциацию параллельных денежных единиц, одновременно функционирующих локальных и глобальных денежных систем. В статье проанализировано, насколько восприятие Платона локальных и глобальных денежных систем отражает историческую реальность в Афинах классического периода. Однако использование философского понимания денег не служит отображению экономических взглядов Аристотеля и Платона, скорее расширяет исторические перспективы относительно характеристик денег.

Ключевые слова: деньги; социология денег; культурная история денег; классическая политическая философия; Аристотель; Платон; история денежного обращения древней Греции; политическая онтология.

I. A PRELIMINARY ONTOLOGY OF MONEY IN ARISTOTELIAN TEXTS [NICOMACHEIAN ETHICS, POLITICS, ATHENIAN CONSTITUTION]: MONEY'S SUBJECTIVE AND OBJECTIVE QUALITIES

This presentation is an in situ methodological approach concerning money as an institutional being and as a social symbol. The theoretical bases on diachronic function of global money and research concerning the ontological nature of money in ancient philosophy are incorporated to my relative project that it is in process. First results are presented in this paper, focusing on money's qualities as perceived by Aristotle, mostly in his works related to the function of the City-State. It is obvious that references to Aristotelian texts are not indenting to describe the economic ideas of the philosopher, a work already done and furthermore revisited in the very recent literature.² On the contrast, my purpose is to contextualize the analysis on money and on global monetary phenomena outlined by epistemological principles: monetary mechanisms are considered of course as historical experiences, located in specific geographical areas and in specific historical periods. This former element means that there is some conjectural factors interrelated to monetary phenomena,

factors connected to the evolution of the human history and of course to the different stages as regards the evolution of the market. But in the same time, to objective factors related to monetary mechanisms occurs money's subjectivity, as Aristotle pointed out since 4th century BC. It is then important to note from the starting point of this paper, that Aristotelian explorations on money's nature don't accentuate philosopher's efforts for an historical retrospection of monetary mechanisms; on the contrary, he attempts to conceptualize them.³ His perception on money is then integrated to his dialectical method, meaning that in order to found his concepts gives—if necessary—"historical" information, mainly as regards the classical Athenian monetary system. For these reasons, in the Aristotelian texts the term "νόμισμα" is to be read as money and not as currency.

In *Nikomacheina Ethics* [Ἠθικά Νικομάχεια] Aristotle defines currency as a measure of exchange value and as means of exchange. Being itself a mean of exchange, money does not exist in nature but only by law: οὐ φύσει ἀλλὰ νόμῳ ἐστί.⁴ It is then related to the State that guaranties its authority. Money is at that point considered as an institution, associated to State's power:⁵ from epistemological point of view, this Aristotelian element is a timeless and scientifically timely argument, integrated to the actual debate

concerning the effectiveness of parallel non institutionalized currencies. As it is observed by the above mentioned, Aristotle points out that money need to be retained by its institutional form as a result of its subjective character; its institutionalization is then considered being a presupposition for money's function.

On the other hand, the linguistic sign, which is a social sign, valorizes the subjectivity in money's nature. "Νόμισμα [money]" and "Νόμος [the law]" originates both in ancient and modern Greek by the verb "νομίζω" defined as I believe, I suppose; according to Aristotle's definition "νόμος συνθήκη, και εγγυητή" ἀλλήλοις των δικαίων⁶ [and the law is a covenant or, ... a guarantee of men's just claims on one another], consequently the value of money is guaranteed because people are confident in it, as the State institutionalizes money's value. Money's institutional function excludes for Aristotle the use of parallel unregulated currencies, in so far as State's authority is the only guarantee for money's value.⁷

This aspect of money's subjectivity was already explored by research on economical and sociological field, while diachronic axes of the research are the psychological mechanisms related to money's demand but also money's fetishization.⁸ Specifically, the fetishist feature represents a social quality of money, as it is—in the same time—perceived and unperceived by our senses, it has then tangible and intangible qualities. Concluding on money's subjectivity it is then pointed out that it symbolizes collective practices and social stereotypes.

On the other hand, Aristotle in *Nikomacheian Ethics* and in *Politics* underlines some objective factors of money related to its essential contribution to the City-State's welfare but also to its significance in the individual life of people. As an objective factor can be seen the Aristotelian approach to the correlation between the higher social status and wealth's possession. He also defines that one of the qualities of lord's class, it's their ability to cope with money.⁹ If this element would be extended as regards the historical study of monetary zones it is then concluded that in the framework of a supranational monetary organization the reasonable outcome is the cession of suzerainty for the existing national entities.¹⁰ On the other hand, if one assigns the same element—concerning the identification of social elites to

ownership— on behalf of the individual, this approach is correlated to the pleasure's experiences, the latest being for Aristotle a central nucleus of human existence: in so far as pleasures does not result from acquiring our faculties, but from their exercise.¹¹ The need of wealth is then pointed out, as money it is the mean for every human being to obtain pleasure; Aristotle arguments that in this case the canon of moderation, the prevailing principle of his philosophy, it is difficult to be applied as people would accumulate money so as to have access in more pleasures, according to their natural tendency.

Moreover, objective factors are related to the concept of crisis in Aristotelian philosophical thought, as a crisis period is primarily understood and explained by means of a structural transformation. In *Athenian Constitution*, the Aristotelian analysis focuses on the political change as the principal appearance of the Athenian crisis at the beginning of the 6 century BC, during the Solonian reform. But according to Aristotle the causes of this political dystopia are mainly financial.¹² For this reason, *Athenian Constitution* includes an extended reference to the public and private's debt discharge that Solon applied in 594 BC.¹⁵ Aristotle correlates thus directly the political crisis and the anarchy in Athens with the financial and monetary reform that Solon implemented, an analysis which valorizes the connection between economic reforms and political structures. In the basis of this specific example, Aristotle draws conclusions on crisis general nature; it is to be mentioned the psychological effects that he delivers to crisis function, as regards human individuality, in obligatory correlation to civil collectivity: "And they [i.e. the Athenians during the crisis] continued in a state of general internal disorder."¹⁴

Concluding, money as an actor of the conjuncture it is not socially neutral for the Aristotelian approach, meaning that money cannot create the crisis by itself. In addition, his analysis on social classes in relation to wealth possession,¹⁵ but also his reference to the management of wealth's making, insinuates that money represents overall economic and social relations. In this basis, in his study *Politics* he correlates market's formation to commercial activity and to the accumulated profit: commodities importation and surplus export are both necessary for the city-state, as

long as the state ought to engage in commerce for its own interest.¹⁶

From the above mentioned is resulting that Aristotle applies an evolutionary model, demonstrating the direct relation between politics and economy in the context of the City-State: for these reason in *Politics* is sited the major part of the Aristotelian analysis on economy and on money's qualities, both considered as elements of governmental science.

II. MONEY'S USAGE AND FUNCTION

In general, Aristotelian thought on money and on economy, clarifies the conceptual context but also the limits placed on economic activity by the relevant historical conjuncture. It is then appropriate to point out that in ancient philosophy the private economic activity targeting to the individual prosperity is comprehended in relation to city-state's welfare:¹⁷ in Aristotle and apparently in Plato's *Republic* the city-state's moral, social and economic functions are gathered.¹⁸

The idea of the interconnection between the economic and political structure of the city-state is expressed in details in Aristotle *Politics*, as far as the economic organization of the city-state is the basis for its political adjustment. In *Nicomachian Ethics* Aristotle determines the political science as a superior knowledge, but this should be supported by economic art: thus, in his philosophical system the interpretation of the city-state's economic basis is related to the concept of economic progress during antiquity. The predominant idea in economic history nowadays is that classical period didn't experienced economy as a science neither understood the idea of economic development. But, in the first place it is to be pointed out that the notion of national economic development—in quantitative terms—was not set as a target of the nations-states sooner than the interwar period, via the official acts of international institutions, while during 19th century progress and State's welfare were mostly connected to the educational level of the citizens and to the expansion of educational mechanisms.

On the other hand, as already is said, Aristotle at first in *Nicomachean Ethics* describes economy as an "art" targeting to wealth's accumulation.¹⁹

But in the follow-up of the same text, he classifies economic studies to "applied" sciences.²⁰ On the other hand, as Plato does, Aristotle believes that the wealth of a nation-state is not sufficient for the welfare of the collectivity, if this very same wealth is not completed by the moral dimension of the city-state.²¹ It is not irrelevant to this annotation the Aristotelian reference to imperialist objectives of some city-states of his era, objectives having a military and economic context. According to Aristotle, these city-states are attempting to overcome their neighbors by despotic and authoritarian means.²²

By the means of the above mentioned dialectical approach as regards economic activity, Aristotle in his *Politics* draws a clear distinction between applied economy and financial activity: for better understanding of the Aristotelian thought, it should be mentioned that in ancient Greek the word economy [=οικονομία] is defined as the administration of the house [=οἶκος]. Consequently, for Aristotle, the concept of applied economic activity is compatible to nature, as regards both house managing and cybernetics, since it is connected to the use of thinks: "Therefore that there is a certain art of acquisition belonging in the order of nature to householders and to statesmen, and for what reason this is so, is clear."²³

On the other hand, financial activity is comprehended as wealth's accumulation: "But there is another kind of acquisition that is specially called wealth-getting..."²⁴ The financial activity is against nature because it is carried on by acquired skill or by experience.²⁵ Thus, commodities have utilitarian value but also a commercial value, they are means of exchange. For Aristotle then the use of money was born by necessity as, obviously, it was impossible than all exchanges be carried out by payment in kind²⁶ it is then concluded that for the philosopher, money itself it is not at stake, but it represents the value amid exchanges. Furthermore, in *Nicomachean Ethics* he counts in the value of commodities the labor needed for their fabrication.²⁷

Aristotle is formulating some elements of the value theory but also he is emphasizing on the commercial transactions: in that way, he initially introduces concepts that we are going to find in modern times in the approaches of Marx and of Adam Smith, ideas integrated in the dialectic



Figure 1. Map of global circulation of Athenian tetradrachm during the period of Athenian hegemony

and evolutionary epistemological universe of the 19th century. Especially as concerns the Marxian approach, it coincides to Aristotle's principles vis-a-vis commodities' value definition by labor's factor.²⁸ On the other hand, in *Nikomachean Ethics* individual freedom is identified to freedom in transactions and especially in monetary transactions:²⁹ as precondition is thus set the moderate economic activity, its excess been considered as prodigality and the lack of exchanges slavery or oppression of human freedom.³⁰

But let us return to money as it is analyzed in *Politics*, in relation to cybernetics. The term is used by the author as a synonym to political science. For Aristotle, money has an intrinsic value –i.e. the value of the medal. But also it has an institutionalized value, as its use implies that the parties involved in a transaction they accept a stable currency value.³¹ This Aristotelian concept can be considered as the basis for the medieval use of money; during medieval times currency was itself wealth for its intrinsic value and its quality in precious metal (gold or silver), but also it produced wealth via transactions.³² On the other hand, as it is further known in monetary history, global monetary standards until WWII were based in precious metals, in bimetallic or monometallic monetary systems.

Furthermore for Aristotle institutional and thus artificial being of money has as consequence the possibility of its devaluation, its

withdrawn from circulation and its falsification or forgery. This quality is connected to the subjectivity of monetary mechanisms; on the other hand, Aristotle defines as objectivity the demand which determinates the commodities prices: "It is therefore necessary that all commodities shall be measured by some one standard ... And this standard is in reality demand, which is what holds everything together..."³³ On the other hand, in its institutional form, money it is the measure of exchanges "it is the measure of all things,"³⁴ so it resumes objective and subjective qualities.

Concerning money's social function Aristotle has an ambivalent approach. According to it, for the household affairs, this is necessary to be managed in a rational and exhaustive way. On the contrary, the financial transactions are reprehensible since there are not existing as such in nature. Specifically, usury is disgraceful and odious as based in the possession of money itself and not targeted to the benefits deriving by money's usage. In usurious practices, the interest becomes "money created by money." It is of course an idea which became the nucleus of economic activity in medieval times, through the doctrine of Thomas Aquinas and the deriving designation of usury as a superior sin by the Catholic Church.³⁵ Nevertheless, resuming the Aristotelian thought on money as a social symbol is crucial to note that global economic and social relations are represented



Figure 2. Athenian tetradrachm, 5th BC. Costas Kolokythas private collection, Athens

by money as an epiphenomenon or as a mean of more complicated relations.

On the other hand, Aristotle considers the formation of a standard monetary system as a precondition for the city-state's existence. Absolutely necessary are also considered the financial transactions since they create a monetary reserve for the city-state. In relation to this financial requirement for the function of the State, it is relevant to juxtapose the Aristotelian point of view for autarchy, a concept that should be understood in economic but also in psychological terms: it can be then a collective but also an individual life practice. For Aristotle, autarchy it is an alternative for guiding our existence — both, as civil collectivities and as individuals. In case that we are choosing for the autarchy's option we need to keep low expectations for our own progress, to stay away from furious disputes, to maintain a standard monetary reserve that could help us to survive. As it concerns the city-state, the choice of a self-sufficiency policy requires not only State's monetary reserves, but also requires an internal policy promoting manufactures, organizing an army, an hierarchical clergy, and a system of justice.³⁶

In fact, the Aristotelian concepts on money, and especially the philosopher's reference in his *Athenian Constitution*,³⁷ to the monetary reform applied by Solon in Athens at the beginning of the 6th century BC,³⁸ are related to the monetary history of the classical Greek world; this topic is already analyzed,³⁹ but it should be mentioned here the global circulation of Athenian tetradrachm during the period of Athenian hegemony, which for some historians was the first global money in History because of its circulation in all the known then world, and especially in the eastern Mediterranean.⁴⁰

III. RESEARCH'S PERSPECTIVES

In brief, the monetary circulation of the Athenian tetradrachm during Athens hegemony in the 5th century BC it is an objective factor in Aristotle's conceptual system concerning currency. In general terms Aristotle applies a dialectical method based in materialism and the deriving social relations. An objective aspect of Aristotelian analysis is also his perception for the social structure in the *Republic*, a stratification based in wealth's procession. Knowledge is considered by Aristotle as a factor for social ascension, as the savoir-faire of the individual to create wealth gives to the human being access not only to social power but also to pleasure. The objectivity that Aristotle attaches to material forms of reality created an epistemological framework, as far as Marx's concept on the uses of money can be traced on Aristotelian works.

On the other hand, from the idealistic perspective of Plato, who also perceives his ideal *Republic* as an established social classification, knowledge is the instrument for social accession. The institutionalized process in order to obtain knowledge permits to the slave so as to get on an upper social category and to escape from the condition of slavery. As a result, knowledge is a precondition for the dependent classes, in the same time that the rulers of the Republic they don't need to know.⁴¹ Plato also accentuates knowledge's illusion as a mean of political dominion, an idea represented to the platonic cave's myth.⁴² It is to be observed that idealistic features in Plato's philosophical universe overcome to the uses of material components that characterize reality, it is then in that framework that philosopher's proposition for a double monetary system of the *Republic* must be examined.⁴³

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Yuan-denominated Bonds as an Alternative Source of Borrowing*

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Abstract. The article covers the actual theme of issuing bonds in Chinese national currency Yuan Renminbi by foreign entities with the focus on the latest developments in the plans of Russian financial authorities, banks and companies to issue such bonds in Russia and China as the alternative source of borrowings.

Keywords: federal loan bonds; dim-sum bonds; panda bonds; Moscow Exchange; China; Russia; yuan; internationalization; world reserve currency; CNY; RMB; CNH; financial market; investments.

Облигации в юанях как альтернативный источник заемных ресурсов

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Аннотация. Статья посвящена актуальной теме выпуска облигаций в китайской национальной валюте юанях жэньминьби иностранными эмитентами. Основной акцент сделан на актуальных планах российских финансовых властей, банков и компаний по выпуску таких облигаций в России и Китае как альтернативного источника заимствований.

Ключевые слова: облигации федерального займа; облигации дим-сам; панда-облигации; Московская биржа; Китай; Россия; юань; интернационализация; мировая резервная валюта; CNY; RMB; CNH; финансовый рынок; инвестиции.

With the decreasing of opportunities for Russia to borrow on the global financial market in connection with unilateral US and EU sanctions, the issue of finding the alternative sources of borrowed resources has acquired particular significance.

In November 2015, the Ministry of Finance of Russia first announced its intention to issue treasury bonds in Chinese yuan, and in October 2016, the director of the Department of the State Debt and State Financial Assets

of the RF Ministry of Finance K. Vyshkovskiy said that the first federal loan bonds (OFZ), denominated in RMB, for a total of 6 billion yuan (about 1 billion US dollars) is planned to be placed before the end of 2016.¹ However, less than a week passed, as Finance Minister A. Siluanov said that such a placement in 2016 will not take place, since all necessary borrowing will be made on the domestic market.² Most likely, at the end of 2016, restrictions imposed by Chinese regulators on investment activities

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abroad and difficulties in obtaining new quotas for Chinese qualified institutional investors working in the framework of QDII and RQDII programs, did not allow Russia to place sovereign bonds in yuan that could be purchased by the investors from the mainland China.

So what are the bonds in Chinese yuan and what are their specific features and the particularities of their issuance by non-residents of the PRC?

Currently, the Chinese legislation in principle allows the issuance of two types of bonds in yuan by China non-residents:

Panda bonds, i.e. bonds in yuan placed by foreign borrowers in the interbank market of the mainland China⁵ (the Chinese bond market is the 3rd largest bond market in the world after the USA and Japan.⁴ As of the end of 2016, the amount of outstanding bonds in the Chinese bond market was approximately 9.3 trillion US dollars);⁵

Dim sum bonds, i.e. bonds in yuan, issued outside of mainland China.

The issuance of **Panda bonds** is limited by regulatory measures. Issuers of such bonds may be international financial development institutions, involved in transactions on debt and investment financing of projects of a multilateral, bilateral and local nature; subsidiaries of foreign banks and foreign non-financial companies registered in the PRC. The funds in RMB obtained as a result of the issuance of such bonds can be converted into other currencies and transferred out of Chinese jurisdiction under the permission of the foreign exchange control authorities of the People's Republic of China, and can also be used to invest in projects inside the PRC.

To date, Panda bonds have been issued by IFC, ADB, Daimler AG, UFJ (China) — a subsidiary of the Bank of Tokyo-Mitsubishi, HSBC, Bank of China (Hong Kong), Standard Chartered, the administration of the Canadian province of British Columbia and the National Bank of Canada, Republic of Korea, Hungary and Poland.⁶ The government of Indonesia and the Export-Import Bank of Korea also announced their interest in placing bonds in RMB in 2016. In 2016, the amount of issued Panda bonds reached 19 billion US dollars and according to JPMorgan estimates in 2017 it could grow by 50%.⁷

In the current situation of the limited access of Russian borrowers to funding sources in the Western capital markets, the attraction of financial resources through bonded loans in the PRC has become the issue of the considerable interest. The Government of Russia, Vnesheconombank and Gazprom, which received from the Chinese agency Dagong the highest credit rating AAA with a stable outlook (Gazprombank's Dagong rating is A-), expressed their interest in the issue of Panda bonds.

At the same time, according to available data, the Panda bonds issue program has a number of key restrictions that create obstacles for the participation of Russian issuers from among the financial and credit institutions:

A small potential amount of attraction (on average, the volume of one issue is equivalent to 150–200 million US dollars.).

A local credit rating of AA or higher must be assigned by at least two rating agencies, one of which must be registered in China.

Due to the fact that the ratings of Russian issuers are generally significantly lower than required, in order to improve the placement rating, it is possible to carry out such operations under the guarantee of a local bank that is rated at least not lower than the specified level (China Development Bank, Bank of China, etc.).

The issuance of bonds in Chinese yuan should be approved by the Chinese regulators (People's Bank of China, Ministry of Finance, National Development and Reform Commission, China Securities Commission, the State Council and State Administration of Foreign Exchange). Approvals should be obtained individually for each program.

The total investment in the Chinese economy (in the form of loans granted or equity investments) made by the issuer prior to the release of Panda bonds, should exceed USD1 billion. Exemption from this requirement may be granted by the PRC State Council.

Issuers of bonds are required to prepare financial statements in accordance with Chinese accounting standards. Exemption from this requirement may be provided by the Ministry of Finance of the PRC in case that the accounting standards used by the issuer are approved by the Ministry of Finance as equivalent to Chinese standards.

Financial statements should be certified by auditors registered in China and possessing the necessary expertise in the securities market.

According to the available information, existing restrictions on the issue of bonds in the interbank market of China do not apply to bond issues of the sovereign and companies from the Russian real sector of economy. Possible requirements for Russian corporate borrowers include the presence of a subsidiary in China, an issuer or issuance rating from a Chinese rating agency, a report by a Chinese auditor, etc.

In early 2017, UC RUSAL registered a prospectus for the issuance of bonds denominated in yuan (Panda bonds), with a total value of up to 10 billion yuan (1.5 billion US dollars) for up to seven years and became the first foreign company with the main production assets outside the PRC whose bonds are offered to investors in the debt market of China by placing on the Shanghai Stock Exchange. On March 21, 2017, a placement of tranche of a total of 1 billion yuan was completed for a period of 2 + 1 years with a coupon rate of 5.5% per annum. Funds received from this placement will be used to replenish working capital, including purchases from suppliers in China. At the same time, the remaining part of the funds raised can be used to refinance the company's current debt.⁸ According to available information, the second tranche of UC RUSAL can be placed in May 2017.⁹

Although the first yuan bonds in Hong Kong were issued in 2007 by the state-owned China Development Bank, the emergence and development of the Dim sum bonds market, or the yuan bonds issued outside of mainland China, was the direct result of the implementation of the China's global project which started in 2008–2009—the project of internationalization of its national currency and turning it into one of the world's currencies. It is also associated with the emergence of the market of offshore yuan, which received the CNH code (Chinese Yuan delivered in Hong Kong) as opposed to the conventional Chinese currency code — CNY. The history of this project and the characteristics of the initial stages of the measures taken by China to “internationalize” the yuan, are now fairly well described and analyzed.¹⁰ Over the past years, the market of Dim sum bonds has been developing rapidly. If at the end of 2010 the

total amount of bonds in RMB, issued outside the PRC, reached 59 billion yuan, then in 2014 this amount increased to 337.7 billion yuan. In the next two years, in connection with the measures taken by the Chinese regulators to limit the outflow of capital abroad and increasing the attractiveness of the Panda bonds market, the amount of the issued Dim sum bonds fell to 163.3 billion yuan in 2015 and to 130 billion yuan in 2016,¹¹ i.e. below the 2011 level.

Hong Kong still retains its leading position in the Dim sum bonds market, although the geography of their placement over these years has expanded significantly, and bonds denominated in RMB were issued not only by foreign banks, but also by industrial companies and even by governments of some countries.¹²

Russian financial and credit institutions already have experience in issuing bonds denominated in RMB. Three state-owned banks (VTB, Gazprombank and Rosselkhozbank), as well as the Bank Russian Standard, placed six issues on the Irish Stock Exchange for a total of 6.75 billion yuan (more than USD1 billion). In January 2014, Gazprombank issued three-year bonds worth 1 billion yuan with a yield of 4.25% per annum.¹³

Taking into account the difficulties and limitations associated with issuing of yuan bonds by Russian issuers on the Chinese and international markets, the Bank of Russia and interested Russian banks are currently working with the relevant Chinese authorities to arrange the issuance of bonds in yuan on the Russian bond market.

During the 17th meeting of the Russian-Chinese Subcommittee on Cooperation in the Financial Sphere in October 2016, the regulators of Russia and China paid much attention to the discussion of issues of cooperation in the securities markets. They highly appreciated the two-sided Memorandum of Understanding between the Bank of Russia and the PRC Securities Commission, which was signed in June 2016. This Memorandum, in particular, says that one of the areas of cooperation between China and Russia is cooperation in the securities market with focus on the stimulating the issuance and circulation of debt instruments on the stock exchanges of both countries, including the issue on the platform of Russian Stock Exchange of Russian sovereign bonds denominated in Chinese

yuan. The successful implementation of such an issuance meets the objectives of strengthening the cooperation between the two countries. The Chinese party informed that for Chinese investors operating under the QDII and RQDII programs (programs for Qualified Internal Institutional Investors), there are no regulatory restrictions on the possible purchase of yuan bonds issued in Moscow, but the quota for such investments provided by the QDII program for 2016 in the amount equivalent to 90 billion US dollars has already been exhausted.

In December 2016, the Government of the Russian Federation adopted the Regulation No. 1353, which allowed to issue federal loan bonds (OFZs) not only in rubles, but also in the national currencies of the BRICS and the Shanghai Cooperation Organization (SCO) member countries, which “will allow to issue new debt instruments, regulated by the Russian law, with the support of domestic financial institutions,”—the statement to the Regulation said.¹⁴

In February 2017 the Ministry of Finance of the Russian Federation informed that it does not rule out the possibility of the placement of federal loan bonds (OFZ bonds) denominated in yuan in 2017, but much depends on the willingness of the Chinese financial regulators. Director of the Department of the State Debt and State Financial Assets of the RF Ministry of Finance K. Vyshkovskiy said that the Ministry of Finance’s earlier statements that the placement of these securities in 2017 is unlikely, is not the final decision of the Ministry. “This is not a final decision, we said that the probability of placement this year is not very high or significantly lower than we planned earlier, and this is primarily due to the position of the Chinese authorities. We are ready to implement such a project. But as showed the studying and consideration of this issue in the past year, our idea to some extent runs counter to the general policy of the Chinese financial authorities to curb the outflow of capital from China,”¹⁵ clarified K. Vyshkovskiy. At the same time, he said, the Ministry of Finance did not consider any alternatives for OFZ in yuan, as this instrument was planned not as means of financing the budget deficit, but as an attempt to draw on the Russian market a new category of investors. “This is an attempt to probe the new market segment, attract a new category of

investors — domestic Chinese so-called mainland investors — to our market, to Russian infrastructure, and we should not consider this as an instrument that is intended to replace any existing ones, it is simply a desire to develop the market, an attempt to probe some alternative sources of resources We do not remove this project from the agenda completely, we will continue to work out this possibility with our Chinese counterparts,”—pointed K. Vyshkovskiy.¹⁶

In March 2017, after several years of negotiations and preparatory work, the settlement and clearing center for operations in yuan began to function in Moscow. By agreement between the Bank of Russia and the People’s Bank of China, the ICBC Bank Moscow, the “daughter” of the largest Chinese bank ICBC, has been assigned as the clearing bank for operations in RMB in Russia. This clearing and settlement center for RMB operations should become a key element of the market infrastructure that provides financial interaction between Russia and China, including settlements on trade operations, investments and securities issuance.¹⁷

According to available information, Gazprom, Gazprombank and Sberbank are going to issue bonds in yuan in Moscow. At the same time, Gazprombank even registered a package of issuance documents on the series of bond issues in RMB for a total of 2.85 billion yuan at the Moscow Stock Exchange, and in Sberbank’s plans for 2017 are not only its own borrowings in RMB, but also its participation as an organizer of such transactions for other companies.

Thus, by now, Russia has prepared all necessary technical and regulatory frameworks for issuing on the Moscow Stock Exchange bonds, nominated in yuan, as a new promising alternative source of borrowed resources. Interested market participants are now waiting for the RF Ministry of Finance to place the OFZ in yuan, since such a placement will not only “probe the new market segment, attract a new category of investors — domestic Chinese so-called mainland investors to our market, to Russian infrastructure,”¹⁸ but also will create a market benchmark for Russian companies and banks on borrowings in yuan, which will become the basis for further joint work of Russian borrowers and Chinese investors. However, in order to make such placement of Russian sovereign bonds in RMB possi-

ble, it is necessary for the Chinese regulators to resolve a number of unresolved issues related to the removal of certain restrictions stemming out of the current policy of combating capital outflow from the PRC. In particular, it is necessary to provide investors from the mainland China with special permissions for the purchase of such OFZs. It is possible that the remaining restrictions will be lifted in the near future, including

also, as one of the results of the working visit of President of the Russian Federation Vladimir Putin to the PRC in May 2017. In this case, the placement of OFZ in RMB on the Moscow Stock Exchange with the participation of Chinese investors from mainland China will make it possible to practically use the yuan clearing center in Russia and will enhance the status of Moscow as an international financial center.

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Underwriting Syndicated Loans in the Russian Market

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Abstract. This article presents an overview of the international syndicated loans market for Russian corporate borrowers. There is a focus on underwriting services provided by banks and the syndications process. The advantages of syndicated loans for borrowers and banks are discussed, as well as the type of deals that are prevalent in the Russian market (underwritten deal, best-efforts syndication, club deal). The main instruments of the market and the corresponding purposes of raising the financing are discussed, including bridge loans, term loans, and pre-export finance facilities. The key structural elements of syndicated loans, including security and financial covenants are discussed. The typical transaction schedule for a syndicated loan is presented, with an overview of the key steps of the process: appointing banks, syndicating the loan in the international market, closing the transaction. We then proceed to discuss the role of underwriting in syndicated lending, including the economics of underwriting and the risks facing the banks. An overview of the approval process for underwriting is presented, with a discussion of two important documents: the underwriting memo and the underwriting commitment letter. In conclusion, we discuss the trends and perspective of underwriting in the dynamic Russian syndicated lending market and the requirements for a successful transaction.

Keywords: banking, corporate finance, international syndicated loans market, bank underwriting services, financing Russian corporates, risks and legal aspects of underwriting.

JEL: G24, G32

Андеррайтинг синдицированных кредитов на российском рынке

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Аннотация. В статье представлен обзор международного рынка синдицированных кредитов для российских корпоративных заемщиков. Детально рассматриваются услуги андеррайтинга, предоставляемые банками, и процесс синдикации. Анализируются преимущества синдицированных кредитов для заемщиков и банков, а также структуры сделок, применяемых на российском рынке (подписанная сделка, синдикация по принципу «наилучших усилий», клубная сделка). Рассматриваются основные инструменты рынка и соответствующие цели привлечения финансирования, включая бридж-кредиты, срочные кредиты, предэкспортные кредиты. Описаны основные структурные элементы синдицированных кредитов, включая обеспечение и финансовые ковенанты. Предложен график реализации сделки по привлечению синдицированного кредита и прописаны главные этапы данного процесса: назначение банков, синдикация на международном рынке, закрытие сделки. Затем обсуждается роль андеррайтинга в синдицированном кредитовании, включая аспекты экономики

и риска для банков. Процесс одобрения андеррайтинга включает два важных документа: меморандум и письмо об андеррайтинге. В заключение рассмотрены тенденции и перспективы андеррайтинга на развивающемся российском рынке и требования для успешной сделки.

Ключевые слова: банки; корпоративные финансы; международный рынок синдицированного кредитования; банковские услуги по андеррайтингу; финансирование российских корпораций; риски и юридические аспекты андеррайтинга.

INTRODUCTION

This article is dedicated to the review of the underwriting process of syndicated loans in the Russian market. Underwriting, together with the running of the syndication process, is one of the more important aspects of bank syndicated lending.

A syndicated loan is provided to the Borrower (a corporation or a financial institution) by a syndicate of lenders and is structured, arranged and administered by one or several commercial or investment banks. Banks syndicate the loan, or divide it up into pieces, to share the risk that is compensated by the rewards of joining the deal. The key features of the syndicated loans market are the following: the lenders are the largest international financial institutions; the loans are provided to Russian borrowers in foreign currency; there is one set of documents (including the multi-party Facility Agreement), prepared by reputable international legal firms based on the templates of the Loan Market Association governed by English law; the financing terms and ranking are identical for all Lenders; the information flow and payments are channeled via the Facility Agent; there is an active secondary trading market for syndicated loans.

OVERVIEW OF SYNDICATED LENDING

Lenders in the Russian market are mostly banks (while a growing proportion of lenders in the global market is represented by institutional investors: pension funds, insurance funds, hedge funds). Banks participate in a syndicated loan to earn a return, or yield, on their investment from interest payments and fees, build or sustain a relationship with the Borrower, win ancillary business (bond mandate, forex, cash management).

For Borrowers, syndicated loans offer bigger volume compared to bilateral loans; flexibility of terms and structure; various instruments of the syndicated loans market can be used depending on the goals of the Borrower; access to new banking relationships; efficient and fast transaction execution process.

There are several types of syndicated loans (Taylor and Sansone, 2006):

- **Underwritten deal:** an underwritten deal is one for which the arrangers guarantee that the Borrower will receive the entire agreed facility amount at pre-agreed terms and conditions and then syndicate the loan in the market. If the arrangers cannot fully subscribe the loan, they are forced to absorb the difference, which they may later try to sell to investors. In case of a bought deal the Facility Agreement is signed by the MLAs before syndication banks join. In a prefunded deal the facility is funded by the MLAs before syndication banks join.

- **Best-efforts syndication:** a best efforts syndication is one for which the arranger group commits to underwrite less than the entire amount of the loan and undertakes to use best efforts to find commitments in addition to those of the MLA. In this case, the Borrower will receive the full loan amount only in the case of a successful syndication. If the loan is undersubscribed, the Borrower may choose: (i) change the terms of the deal to raise the target facility amount; (ii) close the deal with the lower facility amount; (iii) not to close the deal at all.

- **Club deal:** a club deal is a smaller loan that is pre-marketed to a group of relationship lenders. The MLAs usually have equal final takes and receive equal fees.

The syndicated loans market offers a number of instruments to Russian borrowers, including the following (Fight, 2004): (i) bridge loans (usually granted in case of acquisition financings or as bridges to bond, rights issue or asset disposals); (ii) short-term loans, such as revolving-credit facilities (for working capital purposes) and backstop facilities (for short term commercial paper programmes); (iii) term loans that can be utilized for a number of purposes, including general corporate purposes, capital expenditure, asset acquisitions, ship and aircraft financings, refinancing of the current loan portfolio; (iv) pre-export finance facilities (long

term loans backed by export contracts); (v) project financing.

The structure and pricing of the loan differ according to its type, purpose and other key features. Below is a list of the main structuring features of syndicated loans in the Russian market.

- The amount of the loan ranges from USD100 million to more than USD1 billion.

- Currency is usually USD, but EUR and RUB are also used.

- Tenor depends on the type and instrument. For term loans, the tenor of 3–5 years is the market standard.

- Repayment schedule is usually amortizing (with equal quarterly repayments) following a certain Grace Period (1–2 years). Bullet repayments are used for the best names. There are clauses governing the mandatory prepayment and voluntary repayment procedures.

- General covenants include *pari passu* ranking, negative pledge, change of control, limitation on loans and guarantees, dividend payments, mergers and acquisitions, disposal of assets.

- Financial covenants such as limitations on Total Debt / EBITDA, Tangible Net Worth, EBITDA / Interest, Total Equity are used.

- Events of Default incorporate cross default, creditors' process, litigation.

- If the loan is secured, then the security is represented by guarantees from other group companies, pledge of fixed assets (mortgage, equipment), withholding rights on accounts for term loans; pledge of shares for acquisition finance transactions; assignment of rights under export sales contracts for pre-export finance facilities; assignment of lessee contracts in project finance.

- Other standard loan market terms and conditions (including Conditions Precedent and Conditions Subsequent, Representations and Warranties, Information Undertakings) are per the Loan Market Association documentation.

- Governing law: English law.

Below is an overview of the execution process for a syndicated loan. Depending on the type of the deal, its complexity and the involved parties, there can be some variations in the process (Iannotta, 2010; Liaw, 2011).

- Selection by the Borrower of the Mandated Lead Arrangers (MLAs) who will execute the transaction. During the selection process the Borrower considers the relationship, loan market track-re-

cord, underwriting commitments and final commitments that are proposed by each MLAs.

- The Borrower negotiates with the MLAs the Mandate Letter and the Term Sheet of the transaction. These documents set-out the ways of working on the transaction, appoint the MLAs to the relevant roles (including Coordinator(s), Documentation Agent and Bookrunners) and outline the main agreed terms and conditions of the transaction between the Borrower and the MLAs.

- At this stage, the MLAs and the Borrower appoint the Legal Counsels for the transaction (from an agreed list of reputable international legal firms). Once engaged, the Legal Counsels start work on the Facility Documentation, including the Facility Agreement. This is the key legal document that contains all transaction details and standard clauses. The security documentation, depending on transaction structure, can include the mortgage agreement, surety, guarantees, pledge of shares, assets, bank accounts (Campbell and Weaver, 2013).

- Once Mandate Letter and the Term Sheet are signed, the Bookrunners, with input from the Borrower when required, prepare the launch of the syndication process. This includes the following items: (i) agreement on the syndication strategy and the list of potential lenders to be invited to the transaction; (ii) drafting of the Invitation Letter and the Confidentiality Agreement; (iii) preparing the Information Memorandum and the package of financial and marketing materials (financial statements, cash flow model, operating overview, independent industry reports); (iv) making the arrangements for the bank meeting.

- The syndication process is launched by the Bookrunners. Invitation Letters are sent to the potential lenders. After the signing of the Confidentiality Agreement, the potential lenders gain access to the deal information via a secured website.

- During the syndication process the potential lenders attend the bank meeting, negotiate with the Bookrunners and obtain the credit approvals for their commitments.

- In parallel to the syndication, the documentation drafting process is on-going, led by the Documentation Agent.

- At the closing of the syndication process, the potential lenders submit their Commitment Letters (setting out their terms of joining the transaction and being subject to documentation).

- The draft Facility Documents are distributed to the Lenders for review. The Lenders provide their comments, if any.

- The Facility Documents are signed.
- Following the completion of Conditions Precedent, the Facility is utilized by the Borrower.

In terms of timing, the execution of a syndicated loan transaction can take 10–12 weeks.

THE ROLE OF UNDERWRITING IN SYNDICATED LENDING

Underwriting plays an important role in the syndicated lending market. Underwriting is the key structural component for acquisition financings (especially in the cases of bought and pre-funded deals). In such transactions, the Borrower needs to be guaranteed that it will receive the target amount of the Facility, since financing is a major component of the mergers and acquisitions market (Maxwell and Shenkman, 2010). If the Borrower does not have the financing by the due date, not only will the deal be lost, but penalties may be payable.

Therefore, in cases of acquisition financings and other fully underwritten deals, the Underwriters provide the underwriting for the whole Facility Amount. As part of the syndication strategy, it is then determined that the amounts raised from the market will be used to lower the final commitments of the Underwriters in the loan.

Let us discuss an example. The Borrower would like to raise a USD500 million syndicated loan for financing an acquisition. Two banks are mandated as MLAs, each providing underwriting for half of the target facility amount (USD250 million). The MLAs then syndicate the loan in the market, with the goal to lower the final commitments to USD100 million. Therefore, USD300 million will need to be syndicated from other banks, who will subsequently join the deal as Lenders. If there is an oversubscription of the loan, then the surplus may be used to further increase the Facility Amount to a pre-agreed level. For example, if USD400 million are raised in the market, then USD300 million will be used to lower the commitments of the MLAs and USD100 million to increase the Facility Amount up to USD600 million.

An important component of the underwriting process are the fees and risks.

The Underwriter is usually compensated with the Upfront Fee. This fee is the total amount that is payable by the Borrower to the Mandated Lead

Arrangers which will be used by the MLAs to pay out all fees under the deal, including Participation Fees to the banks that join the deal as Lenders. Total Upfront Fees are typically calculated on the final Facility Amount (including any oversubscription).

The Upfront Fees include the following fees:

- Arrangement Fees: portion of the total Upfront Fees set aside by the MLAs to remunerate the arrangement of the transaction (negotiation, preparation, syndication). This is not a risk fee but a service fee booked at signing of the deal even if the syndication is not closed.

- Underwriting Fees: portion of the total upfront set aside to cover the underwriting risk. This is a risk fee booked at close of primary syndication provided the final take objective has been met.

- Participation Fees: these fees are payable to each bank, including the MLAs, on their allocated final take at close of syndication at the rate applicable to the level of their initial commitment. There is equal treatment between banks, meaning that banks with the same commitment receive the same fee rate.

- Pool Fees: such fees represent the balance of the budgeted Participation Fees that have not been paid out to lenders.

We can continue with considering the above practical example. The Borrower has appointed two MLAs to arrange a USD500 million syndicated facility, each underwriting half of the loan with a target final commitment of USD100 million. The total Upfront Fee is 100 basis points (bps), composed of a 30 bps arrangement fee, 20 bps underwriting fee and participation fees of 50 bps. During the syndication, the Bookrunners offer 40 bps for a commitment of USD100 million, 30 bps for USD50 million and 20 bps for USD25 million. Following the syndication, two Lenders join the deal with a commitment of USD100 million, one Lender with USD50 million, two Lenders with USD25 million each (raising a total of USD300 million and allowing the MLAs to reach the target final commitments of USD100 million). As a result, the MLAs will receive total fees of USD2,350 million, made up from USD0,75 million arrangement fee (half of the 30 bps arrangement fee applied to the full facility amount), USD0,5 million underwriting fee (20 bps underwriting fee applied to the USD250 million underwriting amount), USD0,5 million participation fees (participation fee of 50 bps applied to the final commitment of USD100 million) and pool fees of USD0,45 million (calculated as the

Table 1. The structure of the Underwriting Memo

#	Section	Overview and contents
1.	Context of the transaction	Summary of the deal structure, the amount and the objectives of the deal, other banks involved.
2.	Borrower	Description, shareholding structure, market capitalization; Ratings: credit ratings have a positive impact on liquidity (in primary and secondary); Financials: audited financials are required; Projections: to ensure compliance with the transaction structure and financial covenants.
3.	Syndication Issues	Highlight of the specific points of the transaction that represent an issue from a syndication or liquidity perspective (deal of large size, long tenor, complicated timeline).
4.	Pricing	Benchmarks: country, industry, structure, tenor, purpose; CDS and secondary market pricing for comparable transactions.
5.	Liquidity Drivers	Borrower's banking relationships, existing debt; Borrower's geographical presence and development strategy Potential side-business: what additional business other banks can achieve as this directly impacts their appetite for the deal.
6.	Syndication Strategy	The number of MLAs in the transaction; Provide indication of tickets and universe of investors; Final takes at the close of syndication.
7.	Risk Factors	Timing is a crucial risk factor in any underwriting exercise, as there is a need to ensure shortest time between underwriting approval, mandate signing, launch and close of syndication; Compliance with the bank's syndication and underwriting guidelines, including syndication protection clauses and specific time limits.

difference between the budgeted participation fees of 50 bps on the syndicated amount of USD300 million equal to USD1 million minus the amounts of the participation fees of USD1,050 million paid out to the five Lenders that joined during the syndication).

The risks of the underwriting process mainly refer to the case of an unsuccessful syndication, as a result of which the Underwriters will not be able to lower their underwriting amount to the targeted final commitment. In such a case the Underwriter will need to take the final commitment and the residual amount of the underwriting on its balance sheet and develop a strategy for decreasing the exposure. Usually in the case of syndicated loans this will include the selling of the exposure at a discount in the secondary, thereby lowering the fees received from the transaction. Suppose that in the above example, the Bookrunner only raise USD250 million from the market, meaning that each will have to take the USD25 million of residual underwriting on its balance sheet in addition to the USD100 million final commitment. Then the USD25 million will be sold in the secondary market at the price of 98% (discount of 2%), leading to a loss of USD0,5 million.

THE UNDERWRITING MEMO AND COMMITMENT LETTER

Usually, the MLA will be required to receive a separate approval for underwriting the syndicated loan (in addition to the general credit approval for the transaction). Each bank has its own unique processes for this procedure. The approval of management, treasury and, most importantly, risks is required to proceed with the underwriting.

The key instrument of the approval process is the Underwriting Memo. This is a substantial document prepared by the bank's Loan Syndications team. The Loan Syndications team answers all questions and provides timely updates, in if there have been any changes relating to the Borrower, the loan market, the syndication process.

The structure of the document is outlined in the following table.

Within the underwriting approval, the MLA's net underwriting amount and final commitment are clearly stated, since exposure is one of the key factors of the approval process:

- Net underwriting amount: the total amount the MLA is to sell in the loan syndication market;

- Final commitment: the total amount the MLA will keep on its balance sheet;
- Underwriting: the sum of net underwriting and final commitment;
- Actions in case of an oversubscription: firstly, the final commitments of all the participants are scaled back; secondly, the Facility Amount is increased (following consultations between the MLAs and the Borrower).

As noted, timing is one of the crucial considerations in underwritten syndicated loans. Usually, the following timetable is applied to such transactions:

- 60 days: underwriting approvals are valid for 60 days. If an offer by the MLA to the Borrower is not made and accepted within this period, a new underwriting approval must be obtained. Accordingly, no underwriting offer can have an expiry date exceeding the validity of the underwriting approval.
- 30 days: syndication must be launched within 30 days from the date of the Mandate Letter.
- 90 days: syndication sell-down period is 90 days from launch of syndication. Sell down typically lasts no more than 35 days from launch to the execution of facility documentation.

Therefore, the whole process may take up to 180 days, during which time there may occur significant events and changes in the market. Therefore, significant preparation for such deals is required by the MLAs, as well as the inclusion of syndication protection clauses into the legal documentation of the transaction (Wight et al, 2009).

We will now consider the main legal document of the underwriting process — the Underwriting Commitment Letter. This letter is executed by the MLAs and the Borrower and contains the clauses that govern the underwriting and syndication process.

The first sections of the letter include the description of the Facility (Borrower, amount, purpose) and the definitions. The first clause is the Appointments clause and describes the roles which the MLAs will have in the transaction. The second clause lists the Conditions to the arrangement of the deal, including the timing, preparation of the Facility Documents, receipt of credit approvals by the MLAs. Clause 3, Underwriting Proportions, lists the amounts that the MLAs underwrite. Clauses 4–6 are the important syndication protection clauses, Clear Market, Market Flex and Material Adverse Change:

- Clear Market: the Borrower shall not without the MLA's prior consent arrange, announce

or award any mandate for any other financing in the loan syndication or capital markets. The purpose of the clear market clause is to ensure that the Borrower will not launch or support any asset that could compete for the same liquidity pools targeted by the deal which could compromise placement. For the Clear Market clause, several carve-outs can be agreed, including, for example, capital markets instruments (such as bonds) that will not compromise liquidity for most corporate loans as they target a different investor base.

- Market Flex: during the period from the date of the Term Sheet and Mandate Letter to the date, following the close of primary syndication, on which all the Lenders subject to such syndication become party to the Facility Documents, any Mandated Lead Arranger or Underwriter shall be entitled after consultation with the other Mandated Lead Arrangers and other Underwriters for a defined maximum period to change the pricing, terms and/or structure of the Facility if that Mandated Lead Arranger or Underwriter determines that such changes are advisable in order to enhance the prospects of a successful syndication of the Facility. The Company agrees to amend the Facility Documents to reflect any changes decided above. For the purposes of this flex clause, «successful syndication» means the Underwriters each reduce their participation in the Facility to a defined final hold.

- Material Adverse Change (MAC): applies to the Borrower, the Guarantor, material subsidiaries, the loan and other financial markets, the national economy. Usually covers the period from the date of the Term Sheet and Mandate Letter to the date of signing of the Facility Documents. Exceptions to this clause require specific justification and sign-off from the Underwriters.

Clauses 7 (Fees, Costs and Expenses) and 8 (Payments) cover the commercial aspects of the transaction. Clause 9 outlines the syndication strategy and the involvement of the Borrower in the process. The next clause, Information, describes the requirements the Borrower must meet in providing the materials (financial, operational, legal) to the MLAs. The letter also includes clauses relating to the legal aspects of the relationship between the Borrower and the MLAs: Indemnity, Confidentiality, Publicity, Conflicts, Assignments, Termination, Survival, as well as Governing Law and Arbitration.

UNDERWRITING IN THE RUSSIAN MARKET

In the last few years, there have been several important trends regarding underwriting in the Russia market. The number of banks active in the syndicated loans market has decreased. The remaining banks have generally become more selective, with a greater focus on relationship with the Borrower, credit risk metrics, transaction structure (including financial covenants). Banks are also paying more attention to getting senior roles in deals (Coordinator, Bookrunner) and being sure of the subsequent success of the syndication. If these criteria are not met, then the bank is likely to decline the deal.

Underwriting is limited to the blue-chip Borrowers with high credit ratings. In particular, acquisition financing and cases when the Borrower requires the funds quickly and is ready to compensate the underwriting risks of the bank. However, bought and pre-funded deals have become exceedingly rare.

In terms of deal types, there is a trend for underwriting on a “best efforts” basis. Banks invited during the syndication aim for a lower ticket than previously, sometimes declining the invitation to buy the deal for better offers in the secondary market after it is free to trade. Lenders also pay greater consideration to the return criteria. Transactions have been competing for liquidity, with lenders are prioritizing deals based on risk return consideration. A continued upward pricing pressure should be expected.

Deals are also done with a limited syndication among senior lenders (in what can be called an extended MLA phase), before going out for a general syndication on “best efforts” basis in order to raise additional liquidity and/or reduce MLA holds.

Due to the high market risk for some Borrowers, the share of club deals has increased in recent years. In club deals banks adopt take-and-hold strategies with the exact final commitments, avoiding any underwriting risks.

However, investors still view Russia as an emerging market, with the country limit is a key constraint for lenders.

The Borrowers should note that the negotiation power of senior lenders has increased and that there needs to be a consensus on the pricing to complete the transaction. Relationship banking is absolutely key, side business consideration is important for providing support for clients

The market has also become segmented, with different liquidity available for various industries, as well as deal types (pre-export finance facilities compared to term loans). The market is still focused on the natural resources sector, that remains the most attractive industry to banks, with the Borrowers having a strong corporate risk profile. These deals act as benchmarks in terms of structure and pricing. Tenors remain short expect for pre-export finance structures which can achieve 5-year maturities. But the market is expected to progressively develop in the medium term, with focus on Borrowers from other industries, such as retail.

In the current market, a successful deal requires a combination of the following factors: (i) relationship support; (ii) good credit quality; (iii) strong structure and proper pricing; (iv) substantial efforts by the Borrower in the syndication process. Ticket sizes may have to be reduced to meet investors’ exposure constraints, leading to potentially larger syndicates. Time to market should be carefully managed: in the current volatile market, banks do not want to hold underwriting risks for too long and prefer to de-risk in as short time as possible. There is a heightened requirement to see syndication protection clauses in mandates (clear market and market flex) and a more conservative documentation reflecting the deal structure (including the opening financial covenants). These requirements are particularly important for underwriting commitments.

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Some Socio-economic Aspects of Development of Democratic Republic of Congo

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Abstract. In the first part of this article we analyse the question of freedom of the press. We understood it as the right to inform freely and to be informed all too freely. It is a human right enshrined in both international and national legal instruments. Unfortunately, the Congolese daily practice tells us conclusively and unstoppable that freedom of expression and opinion, is somehow not respected in the D.R. Congo by the politicians or authorities, where at any time the journalists are arrested, doors missing, media closed, despite the advent of the High Council of audiovisual and communication (CSAC), as an instance of media regulation and institutional guarantor of freedom of press. Where should decriminalize press for media actors offences to ensure the effectiveness of the exercise of the freedom of press. In the second part this article examines the situation of child soldiers in the world and the phenomenon of exclusion of girls from education. The author proposes a number of recommendations to enable States to deal with these two problems.

Keywords: freedom of press; decriminalization; child soldier; young girl; education.

Некоторые социально-экономические аспекты развития Демократической Республики Конго

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Аннотация. В первой части статьи проанализирован вопрос свободы прессы. Свободу прессы мы понимаем как право свободно информировать и быть свободно информированным. Это является правом человека, закрепленным как в международных, так и в национальных правовых документах. К сожалению, конголезская ежедневная практика бесспорно и неопровержимо говорит о том, что свобода выражения мнений и взглядов в Демократической Республике Конго политиками или властями, иногда не соблюдается. В любое время арестовываются журналисты, захлопываются перед ними двери, закрываются средства массовой информации, несмотря на учреждение Высшего совета по аудиовизуальным средствам и коммуникации (CSAC) в качестве регулятора средств массовой информации и институционального гаранта свободы прессы. Необходимо также декриминализовать сферу прессы, чтобы обеспечить эффективность осуществления свободы печати. Во второй части статьи рассмотрен вопрос детей-солдат и выключения девочек из процесса образования. Автор статьи предлагает свое решение всех указанных в статье вопросов.

Ключевые слова: свобода прессы; декриминализация; дети-солдаты; девочки; образование.

FREEDOM OF PRESS AND THE DECRIMINALIZATION OF PRESS IN DEMOCRATIC REPUBLIC OF CONGO

Freedom of the press is one of the main public freedoms. It is a necessary condition for the exercise of democracy. It is part of the right of expression and criticism have all citizens living in democratic countries. But obtaining this right asked for long fights. Even today, this freedom concerns only a minority of countries. However, even in democratic countries, freedom of the press must deal with the economic realities.

The constitution of the D.R. Congo, as the basic law, guarantees freedom of expression and opinion and the right to information. Moreover, in the preamble, it states the following: "reaffirming *our membership and our attachment to the universal declaration of the rights of man, to the Charter African human and people's rights*"¹.

Thus so, freedom of expression includes the right of opinion and freedom to receive or communicate information or ideas without that there can be interference by public authorities and regardless of border.

Considered as a fourth power, the press plays a fundamental role of oversight of the actions of representatives of the public authorities and their staff. The media in this context act as isolated actors of social movements but also become a terrifying counter-power through their strategy of information and whistleblowing². In this role of safeguarding the principles and democratic values, the media also act as actors of social movements.

It's a truth today the power of the press in the formation of public opinion is undeniable. Its activity is likely to increase the ability of each citizen to understand, analyze and freely discuss political, economic and sociocultural issues. In this, the mission of the press should benefit, like education or health, special attention from Governments. She undeniably makes a service of public interest. Illustrated by these attempts at definitions of the public interest.

Freedom of expression is guaranteed by article 23 of the Congolese Constitution recalled, but also

by article 24 which provides that the State shall encourage a pluralistic media environment. In order to implement this obligation, the Supreme Council of audiovisual and communications (CSAC) was created by an act of January 2011³ and has been actually implemented in August 2011. The CSAC, authority for decisions on press, to investigate any violation of the law on the press law of January 2011.

However, it remains clear that the D.R. Congo is a State that does not promote the development of the freedom of the press. Indeed, many laws perpetuate the footprint of the press dissemination of daily occurrences. Journalists are often arrested and detained, publishing houses and other independent media outlets are subject to searches or frequent suspensions, and media broadcasters see their broadcast signals interrupted arbitrarily and without notice.

Therefore, the D.R. Congo is regularly on the list of countries where the media are intentionally suffocated and unfortunately, there is no doubt that the Congolese laws are not up to the international standard regarding democratic regulation of media⁴.

For several years, the problem is the same. Journalists are arbitrarily arrested by officials of some security agencies treated outside the normal judicial circuit. They are humiliated, assaulted, tortured and placed in dungeons unconnected with the Prosecutor's office. They are usually private, not only their physical freedom, but to organize their means of defense. Their release depends only on the advice of officials of these organizations which, in the best cases, expect the injunctions of the political power.

The CSAC is the instrument behind which the responsible Minister can hide to punish the press that bothers. Drawing the consequences of this catastrophic situation for the regulation of the media, the journalist in Danger (JED) had recommended, in its 2011 annual report, the dissolution of this structure and its replacement by a new more credible and competent regulatory body. In vain. The Office of the President of the Republic saying,

¹ Préambule de la Constitution de la RDC du 18 février 2006 telle que révisée par la loi n° 11/002 du 20 janvier 2011 portant révision de certaines articles de la Constitution de la RDC du 18/09/2006.

² E-N. Eveu, *Sociologie des mouvements sociaux*, La découverte, Paris, 3^{ème} édition

³ Loi n° 11/001 du 11 janvier 2011 portant composition, attribution et fonctionnement du Conseil Supérieur de l'Audiovisuel et de la Communication et Ordonnance présidentielle n° 11/054 du 12 août 2011

⁴ République Démocratique du Congo, *Manuel traitant du droit des médias en Afrique australe*, V.2, p.2, in [en ligne] <http://www.kas.de>, consulté le 06 janvier 2016.

unconvincingly, in a response letter to JED, the powers of the two institutions were distinct⁵.

For the D.R. Congo, unfortunately, despite constitutional guarantees affirming the freedom of the press, corollary of freedom of expression and opinion, follow and years tend to resemble each other negatively. Journalists threatened, jailed, attacked, beaten, sometimes killed; closed media, attacked the gun, sometimes burned,... it's all part of the Congolese political landscape for a very long and seems more impress many people. This report gives illustrations and displays statistics, the victims' names, and dates and places where committed the worst abuses against journalists and the media⁶.

Thus so, called to work in an environment that is hostile to all points of view, political, economic and security, Congolese journalists seem to bring himself to make the "minimum service" that is just what it takes to not take risks and continue to survive, the helping hand to those who feed them.

Where this terrible feeling that media Congolese have ceased to be a power, the fourth power, to become simple cases of resonance of ideologies and opinions even the most ludicrous; that the Knights of the pen or the microphone, more became that *little soldiers* who obey the orders of the political principals or powers of money. All of this to the dismay of the freedom of the press and democracy.

In the face of this increase in respect for the freedom of press in the D.R. Congo, it is imperative to question as follows: *why the freedom of press, corollary of the right to expression as a fundamental right is not respected in the Democratic Republic of the Congo? In this perspective, is it not possible to decriminalize press offences for the guarantee of this right of the man in favor of media professionals?*

The answer to these two questions are the subject of heart of our study which focuses on two main points: the exercise of the freedom of press in D.R. Congo (I) and the decriminalization of press offences (II) and a conclusion will end our presentation.

⁵ République Démocratique du Congo, *Manuel traitant du droit des médias en Afrique australe*, Op.cit., p.2,

⁶ JOURNALISTE EN DANGER, *L'état de la liberté de la presse en Afrique centrale francophone : la RDC sous prétexte de la guerre*, Rapport Annuel, 2012, s.d, p. 10. In [en ligne] <http://afrikarabia.com/wordpress/wp-content/uploads/2014/01/JED-Rapport-2012.pdf>, consulté le 06 janvier 2016.

I. THE EXERCISE OF THE FREEDOM OF PRESS IN THE D.R. CONGO

I.1. Freedom of the press

A. Definition of the freedom of the press

The freedom of the press⁷ is one of the main public freedoms. It is a necessary condition for the exercise of democracy. It is part of the right of expression and criticism have all citizens living in democratic countries. But obtaining this right asked for long fights. Even today, this freedom concerns only a minority of countries. However, even in democratic countries, freedom of the press must deal with the economic realities. She is one of the fundamental principles of democratic systems based on the free, mental freedom and expression⁸.

According to article 8 of the law No. 96-002 of 22 June 1996 setting out the terms of the exercise of the freedom of press, freedom of press is understood as the right to be informed, to have his opinions, his feelings and to communicate without hindrance, regardless of the means used, subject to the respect of the law of public order rights of others and public morality⁹.

B. Elements of the freedom of the press

Freedom of the press includes the different concepts that make up and accompany the exercise of this freedom from the point of view of professionals of the press on the one hand, and on the other hand, from the point of view of the public.

B.1. The freedom of the press from the point of view of professionals of the press

The press professional, means any person working within the categories of business and devoting to on a regular basis to the collection, processing, production, dissemination of information and programmers, through a press organ

⁷ JOURNALISTE EN DANGER, *La liberté de la presse pendant les élections. Des médias en campagne, Rapport spécial annuel de 2011*, s.d, pp. 7-8.

⁸ JOURNALISTE EN DANGER, *L'état de la liberté de la presse en Afrique centrale francophone: la RDC sous prétexte de la guerre*, Rapport Annuel, 2012, s.d, p. 10. In [en ligne] <http://afrikarabia.com/wordpress/wp-content/uploads/2014/01/JED-Rapport-2012.pdf>, consulté le 06 janvier 2016.

⁹ JOURNALISTE EN DANGER, *La liberté de la presse pendant les élections. Des médias en campagne, Rapport spécial annuel de 2011*, s.d, pp.7-8.

and which title the essential revenues of this profession.

It marks the starting point for the exercise of the freedom of expression by media professionals. She is to gather social facts of any kind for treatment¹⁰.

When a journalist collects information, they are always in a gross situation. Thus, to avoid the distortion of facts, it is required to give them a more realistic sense; and, sometimes using the euphemism for a good production which allows the professionals of the media in general; and to news agencies in particular, to ensure that material information gathered for dissemination. The production of information can be achieved for payment for the purpose of dissemination.

The dissemination of information is the right of spreading facts and ideas collected. It is the corollary of freedom of thought¹¹; in this sense it is to say what we think or what we know, in private or in the media. The key element that appears, among the items listed as an indication, is information.

The right to information that was once a theory supported by the doctrine, is currently enshrined in the Constitution of the D.R. Congo of February 18, 2006. Analyzing this as one components of freedom of the press, from the point of view of the journalist or professional of the press, the right to information means the prerogative to inform. The State has the obligation to ensure and to give effect to this right.

However, in the collection, processing, production and dissemination of information, the journalist must easily access sources.

On behalf of the freedom of the press, the journalist is free access to all sources of information¹². Information source, means the origin of the facts, data or messages to which the reporter refers to information available to the public. Free access to sources of information involves the duty of vigilance. Indeed, the duty of care of the press corresponds to the particular rights of the latter. In other words, it must provide information that would be more truthful as possible. The press professional is thus required to check, before appear them, all the

information regarding their veracity, their content and their origin.

B.2. From the point of view of the public

Freedom of the press, from the point of view of the public, is made up of the *right to information*. But the latter is analyzed as the right of the public to be informed¹³. The public has the right to receive quality information; that is, information that respects public order and good morals. This is clear from article 9 paragraphs 8 of the organic law on the composition, allocation and functioning of the CSAC.

Indeed, in its attributions, the CSAC is called, notably, to ensure the quality of the productions of the audiovisual sector both public and private media and to promote excellence¹⁴.

With the advanced information and communication technologies, the Internet, social networks, is added to the media list. Given the perverse effects of Internet, the legislator told the CSAC mission to take all necessary measures to protect children from the effects of harmful and perverse of the Internet¹⁵.

C. Typology and nature of violations of freedom of press¹⁶

Internationally, there is not, strictly speaking, uniform typology of violations of freedom of the press. The journalist in danger (JED)¹⁷ has opted for the typology of Reporters without borders (RSF) which he is a member and corresponding in the D.R. Congo. There are nine forms of attacks on the freedom of the press here:

1. *Journalists killed or murdered*: it's the journalists or media professionals who are killed in the exercise of their profession or because of it. Murdered journalists are those who have been victims of targeted and deliberate murder, targeting them personally in order to make them stop permanently.

¹³ Lire à ce propos l'article 1 du code de déontologie et éthique des journalistes congolais.

¹⁴ Article 22 de la Constitution de la RDC du 18 février 2006 telle que modifiée par la loi No. 11/002 du 20 janvier 2011 portant révision de certaines articles de la Constitution de la République Démocratique du Congo du 18 février 2006.

¹⁵ Article 11 de la loi fixant les modalités d'exercice de la liberté de presse précitée.

¹⁶ Article 24 de la Constitution de la RDC.

¹⁷ Article 9 alinéa 8 de la loi organique portant composition, attribution et fonctionnement du CSAC.

¹⁰ La liberté de presse, in <http://www.larousse.fr/encyclopedie/divers/libertédelapresse>, consulté le 27/01/2016

¹¹ WIKIPEDIA, « La liberté de presse », in <http://fr.wikipedia.org>, consulté le 27/01/2016.

¹² Article 8 de la loi No. 96-002 du 22 juin 1996 fixant les modalités de l'exercice de la liberté de presse.

2. *Journalists missing*: set considered 'missing' journalist that has more news and there is evidence that this disappearance is related to his work or his quality of journalist. And also considered door disappeared, a journalist who's everything indicates that he was killed but no body or evidence cannot support it in an absolute way. A journalist spent in hiding for his safety or voluntarily refuses to give its news cannot be considered 'missing'.

3. *Reporter in jail*: it comes to journalists in jail at the time of the report. These journalists have been thrown in jail in the exercise of their profession or because of it.

4. *Incarcerated journalists*: any journalist who has been deprived of his liberty for more than 48 hours on grounds related to his profession. The place of detention is of little importance.

5. *Journalists detained*: it comes to any journalist having been deprived of his freedom, for professional reasons, for less than 48 hours.

6. *Journalists assaulted or tortured*: it's physically, assaulted journalist manhandled, abused, injured, beaten or who has suffered mental distress or physical extreme and deliberate because of his opinions or his professional activities.

7. *Journalists threatened or harassed*: he journalists victims of any threat, direct or indirect, collective or individual, of the fact of the State or its representatives, political parties, armed groups and rebel movements, religious communities, etc. designed to damage or interfere with the exercise of the profession of journalist is.

8. *The pressures legal, administrative or economic*: there are administrative pressures that are observed more often in the media by suspensions, transfers, dismissals, etc. under plausible reasons that hide a desire to reduce to silence a journalist.

There are media that are victims of the economic pressures as blackmail for access to advertising, tax audits, etc. Often, the day after the publication of an article or broadcast of a program that bothers the IRS service ordered sealed media.

9. *Obstructing the free movement of national or international information*: it is banning published or broadcast; the provisional suspension and the seized newspapers in kiosks or on the street; the confiscation of notes, cassettes, film, diskettes or any other information medium; bans in ports and airports, to leave the country with local newspapers; the refusal of visa or accreditation for the foreign press and local correspondents of foreign

media; no certain journalists or media access to some public demonstrations and the monument of the press, courier or printing houses.

1.2. Bodies leads to ensure respect for the freedom of press

Talk of bodies responsible for ensuring respect for the freedom of press in the D.R. Congo, this brings us back to consider in turn the High Council of audiovisual and Communication, the National Union of the Congolese press, and finally the journalist in Danger.

A. The High Council of audiovisual and Communication

◇ Purpose, nature of and the CSAC

The Supreme Council of audiovisual and communication, (CSAC)¹⁸ is an institution in support of democracy. It is independent, autonomous and has legal personality. Seat of the Council is established¹⁹ to Kinshasa, capital of the Democratic Republic of Congo. In exceptional circumstances preventing the Council to meet in his usual seat, the plenary Assembly may decide which will provisionally House its work. The seat of the Council, as well as offices in the province are inviolable, except in cases provided for by law and in the forms prescribed by it.

◇ Functions of the CSAC

Although the D.R. Congo has only a single authority controlling the dissemination and distribution of signals and different laws establish some regulatory authorities, it remains clear that the real power of control over the media lies with the executive authority of the Government; more precisely to the Minister responsible for the press and Information. Indeed, the work of the Supreme Council of audiovisual and Communication at the side of the regulator, which controls the technical aspects of media outreach, home overshadow by departmental attributes exercised by the Executive despite the constitutional design of the Board.

Which we reference to study the main functions as a High Council of audiovisual and Communication on the one hand and on the other by his duties as a regulatory authority.

¹⁸ Ibid., alinéa 20.

¹⁹ http://www.jedafrique.org/index.php?option=com_content&view=article&id=185:rapport-annuel-2015&catid=97:rapports&Itemid=1695

◇ *Functions as a regulatory authority*

According to article 8 of the law box No. 013–2002 of 16 October 2002 on telecommunications in the Democratic Republic of the Congo, the regulatory authority is a public service with legal personality. As a result, she has powers²⁰ from:

- ensure the respect of the laws, regulations and telecommunications agreements;
- teach grant application files, issue the permits, receive statements, establish the specifications corresponding to permissions and ensure that the obligations entered into by their holders are met;
- Proceed to the approvals required by this act;
- define the principles of interconnection and pricing of public telecommunications services;
- manage and control the frequency spectrum;
- developing and managing the national numbering plan;
- analyze and prospectively evolution, both national and international, environmental, social, economic, technical and legal activities in the sector;
- contribute to define and adapt according to the guidelines of the policy, the general legal framework in which the activities of the telecommunications sector.

According to article 49 of the law on the SCAC, provincial coordination is responsible for the execution of the missions of the Council in the province. It is headed by a coordinator, assisted by a Deputy Coordinator.

It has an extension of the center of monitoring of Congolese media, of the Secretariat of education and Service of standardization, and has technical and administrative staff.

B. The Union national of the Congolese press

◇ *Legal nature*

The National Union of the Congolese press (UNPC) is an independent organization of support to journalists in the Democratic Republic of the Congo²¹.

From another angle, UNPC is the only Union of the media established by the law on the status of journalists. By this fact of the legal monopoly, this structure has a lot more power insofar as, according to some experts, the control exercised by it is excessive, while its primary mission remains to ensure the freedom of the press. For example, in understanding the most simplistic of article 5, it is said that only the UNPC is authorized to issue press cards while in section 54 of the Act, any journalist is free to join any trade union or professional organization compatible and operate both within the a PC or not. Which leads to the fact that, according to the PC, this last is the only one authorized to grant as a journalist.

◇ *Main missions*

The UNPC has for missions²² of:

- Coordinate the activities of the groups and associations;
- Defending the freedom of the press, the rights and the interests of the press and its members;
- Organize the profession, edit the deontological and ethical rules and punish breaches;
- Identify the journalists and similar operating in Democratic Republic of Congo;
- Issue press card in accordance with article 5 of the order-law No. 81 /012du 02 April 1981 with statutes of the journalists working in DR Congo.
- Accredite foreign journalists on mission in DR Congo;
- Represent the profession inside and outside the country;
- Promote the press on moral, professional and material;
- Strengthen understanding and solidarity among its members and to establish, within its links between various professional associations of the press in the D.R. Congo;
- Maintain contacts and promote exchanges of view between the press and public and private institutions;
- Facilitate to its members access to information sources;
- Organizing activities of professional and trade union training for its members.

²⁰ Article 2 de la loi organisant le CSAC et Manuel traitant du droit des médias en Afrique australe, République Démocratique du Congo, V. 1, p.12.

²¹ Article 3 de la loi organisant le CSAC précitée.

²² Article 8 de la loi No. 013–2002 du 16 octobre 2002 sur les télécommunications en République Démocratique du Congo.

C. The journalist in Danger (JED)²³

Journalist in danger (JED) is an organization independent and non-partisan promotion and defense of the freedom of press created in 1998. JED is a member of IFEX (International Freedom of Expression Exchange), the world's largest network of defenders of freedom of expression based in Toronto (Canada). JED is a member of the International network of Reporters without borders (RSF, Paris), a world leader in the defense of freedom of expression.

Since May 2003, JED also monitors the freedom of the press in eight other Central African countries covered by the OMAC (Organization of media of Central Africa which is headquartered in Bujumbura, capital of Burundi. The other 8 countries on which extends the mandate of JED are: Burundi, Cameroon, Congo/Brazzaville, Gabon, Equatorial Guinea, Central African Republic, Rwanda and Chad.

JED was born out of a concern that its founders got the conclusion that, despite the fall of the dictatorship of Marshal Mobutu and the 'liberation' announced by the advent of the AFDL (Alliance of democratic forces for liberation) of Laurent-Désiré Kabila, there was more no day without that, somewhere in our society, the freedom of the press is with impunity violated without a feather being broken.

The finding was that journalists were, often victims of summary justice. Any holder of a parcel to political, economic or military that can get justice whenever the speech of the press not found it. The journalist was then held in prison and his media was banned as long as the executioner wanted it.

The founding trio of JED (Donat M'Baya, Tshivis Tshivuadi and Moro Mwamba), all journalists, was based on the fundamental value of human rights: *freedom*. Freedom of the press draws its legal basis for three major international legal instruments that the D.R. Congo has ratified. It is the Universal Declaration of human rights, of the international Covenant on civil and political rights and the African Charter of the rights of man and of peoples. The D.R. Congo has the obligation to respect them.

For good monitor on a daily basis the freedom of the press, JED has implemented a national alert network consisting of more than 250 contacts.

What are these correspondents who are the eyes and ears of JED in the provinces?

JED is mobilizing every day for:

- *Monitor the exercise of the freedom of the press in 9 countries of the sub region of Central Africa by the monitoring and field investigations into all allegations of violations of freedom of the press;*
- *Actions of protest (by letters or alerts) and lobbying for those responsible for violations of the freedom of the press in order to stop these violations in each country and/or redress;*
- *Regular visits to places of detention or imprisonment of journalists;*
- *Assign (directly or indirectly) a small financial assistance to the families of journalists killed or imprisoned as a result of the exercise of their profession;*
- *Provide legal assistance to journalists or media pursued before the courts and tribunals for their work, by their provision of lawyers.*
- *Observe lawsuits against media and journalists;*
- *Participate in studies on the improvement of the legal, political and economic framework of the exercise of the freedom of the press;*
- *Publish annual reports on freedom of the press on specific issues in relation to the news media, alone or with partners;*
- *Organize workshops, conferences, seminars on issues related to ethics and ethics, professional treatment information, and the security of journalists;*
- *Publish a Magazine called "pen and freedom."*

I.3. Nomenclature of legal texts on freedom of the press²⁴

The existing legal texts in the field of broadcasting can be divided into three broad groups: those with an international scope, those with a strictly national scope, and those having a quasi-private scope because of the nature of their emanation.

A. texts with international reach²⁵

There are four essential texts which, although not exclusively applicable to broadcasting, however refer to the freedom of the press and to broad-

²³ Missions de l'UNPC, in [en ligne] <http://www.unpc.info/article-5-17.html>, consulté le 01 janvier 2016.

²⁴ Présentation de JED, in <http://www.jed-afrique.org/index.php?>, consulté le 30 mars 2016.

²⁵ C-M. Mushizi, *Le cadre juridique et institutionnel des médias congolais*, Kinshasa, Décembre 2007, pp. 16-17.

casting. These texts are universally accepted principles of freedom of speech, freedom of the press and the public's right to information.

The universal human rights Declaration adopted by the General Assembly of the United Nations in its resolution 217 A (III) of 10 December 1948, the UDHR, which the D.R. Congo is part ownership to have ratified it, which article 19 States that: "every individual has the right to freedom of opinion and of expression, which entails the right to not be molested for his opinions and that look, receive and spread, without consideration of borders, the information and ideas by any means of expression, be it."

Article 19 also guarantees freedom to collect, disseminate information, as well as the right for others. It is well (to the right of the public to information) or the public to receive information freely.

- *The international Covenant on Civil and political rights*

Adopted by resolution No. 2200 A (XXI) of the General Assembly of the United Nations in its session of December 16, 1966, the ICCPR entered into force on 23 March 1976. The D.R. Congo has ratified it. One of its provisions States that: "no one may be molested for his opinions. . . Any person has the right to freedom of expression, this right includes freedom of seek, receive and impart information and ideas of all kinds, without consideration of borders, in oral, written, printed, or artistic form or through any other media of his choice."

- *The African Human Rights Charter and peoples*

Fifteen years after the adoption of the international Covenant on Civil and political rights, more specifically on June 27, 1981, the African heads of State meeting within the OAU (Organization of African Unity, became the African Union), citing the cultural particularities of Africa, adopt the African Charter of human rights and peoples (ACHPR).

Article 9 of the Charter said in two paragraphs: "every person has a right to information. Every person has the right to express and disseminate his opinions within the laws and regulations."

- *The Charter of Munich*

In 1971, the journalists from six Western European countries, meeting in the city of Munich in Germany, wrote a statement commonly referred to as the Charter in Munich. This Charter which includes duties and rights of journalists, since then, been adopted by the International Federation of journalists (IFJ). This document is

the matrix of most codes of ethics and professional conduct of journalists around the world including those from the D.R. Congo.

*B. texts with a national scope*²⁶

- *The Constitution of the Democratic Republic of the Congo*

The Constitution of the Democratic Republic of the Congo such as amended by law No. 11/002 January 20, 2011 revision of certain articles of the Constitution of the Democratic Republic of Congo on 18 February 2006 based and guaranteed, in his capacity as the law mother and fundamental notions of freedom of expression, the right to information freedom of press and freedom of information and emission.

In its article 23, it provides that: "every person has right to freedom of expression. This right includes the freedom to express his opinions or beliefs, by speech, writing and the image, subject to the respect of the law, public order and good morals."

Article 24 adds that: "every person has a right to information. Freedom of the press, freedom of information and broadcast by radio and television, the print media or any other means of communication are guaranteed subject to respect for public order, morals and the rights of others. Procedure for the exercise of these freedoms are set by law. The audiovisual and written State media are public services whose access is guaranteed equally to all political and social currents. The status of the State media is established by the law which guarantees objectivity and impartiality and diversity of opinion in the processing and dissemination of information."

Article 212 provides that "shall be set up a High Council of audiovisual and communication with legal personality. Their mission is to guarantee and ensure freedom and protection of the press, as well as all means of mass communication in compliance with the law. It ensures respect for the ethics of information and fair access of political parties, associations and citizens to official means of information and communication."

- *Act No. 96-002 of 22 June 1996 setting out the terms of the exercise of the freedom of press*

Act No. 96-002 of 22 June 1996 establishing the modalities of the exercise of the freedom of press, overflows with in its article 8 that: "every person has the right to freedom of opinion and ex-

²⁶ Ibid., pp. 17-19.

pression.” “Freedom of opinion and expression, it means the right to inform, to be informed, to have his opinions, his feelings and to communicate without hindrance whatever the medium used, subject to respect for the law, of public order and the rights of others and public morality.”

- *Organic Law No. 11/001 of January 10, 2011, on composition, allocation and functioning of the CSAC*

This organic law attributes explicitly to the CSAC, among its missions provided for in article 8, the competence of the media regulation authority, hence guarantor of full respect of freedom of the press, information and any other means of communication of the masses as well as to ensure the protection of the press. It should be noted again that this organic law, still recognizes the CSAC, specifically in article 9 point 6, the allocation to ensure compliance with the Act setting out the terms of the exercise of the freedom of press in Democratic Republic of Congo.

C. texts with reach private²⁷

- *Codes of ethics and professional conduct of Congolese journalists*

A Code of ethics and ethics of the Congolese journalist has been implemented so that the right to information, freedom of expression and criticism is one of fundamental freedoms of every human being and that this right of the public to thwart the opinions, perform all of the duties and the rights of journalists.

As a result, first article requires any journalist working the Congolese to pursue freedom at any time in the collection, processing and dissemination of information, opinions, comments and critical territory; This freedom is inseparable from the public right to be informed and receive and make freely opinions.

- *JED reports on violations of the freedom of press in the D.R. Congo*

There is no need to remind that the JED mobilizes daily to monitor the exercise of the freedom of the press in the D.R. Congo by the monitoring of violations of the right to inform and be informed freely by the media.

Indeed, in its report of 2012, the JED is that: “political and media of the Democratic Republic of the Congo has been marked, in 2012, by two events namely: the political crisis following the presiden-

tial and legislative elections of November 28, 2011, of which the results were strongly disputed by a large part of the national and international opinion.” “...and burst, in the month of April 2012, a new war in the East of the country between loyalist Forces a group of mutinous soldiers that would be sustained, according to a report of experts United Nations, by neighboring Rwanda. As might be expected, these two events have created a general climate of tension and insecurity conducive to serious violations of the rights of man and fundamental freedoms, including freedom of press and expression.”²⁸

This year, particularly in the East of the D.R. Congo, violations of the freedom of journalists (arrests, arbitrary detentions), threats to their security, and acts of censorship to the media have proliferated since the month of April. At Butembo, have been temporarily suspended in concert by the Mayor of the city and the High Council for audiovisual and communication (CSAC) who accused them of giving the floor to the rebels²⁹.

In the same vein, the JED2015 annual report provides information that “was in no doubt, 2015 year ending a year thermometer, which indicates that the democratic process has registered a surge of fever, and that freedom of expression is somewhat ‘seized up’ as well as other areas of social life in the R.D Congo.” At the beginning of the year precisely January 19, violence erupted in Kinshasa, the capital, where a protest at the call of the opposition against the reform of the electoral law has degenerated, opposition fearing that the reform of the electoral law is a move by the ruling majority to delay by several years the holding of the elections scheduled for 2016³⁰.

He says bluntly that, it is clear that without surprise, the D.R. Congo is the 150th place of 180 countries in the world ranking of the freedom of the press, published by reporters without borders in February 2015. And for good reason, year after year, the general climate of the work of the media does not improve³¹. The multiplication of acts of violence against the press, censorship of the media, and acts of intimidation against journalists, show that the D.R. Congo is always among the countries of the world where it’s not always good to be a journalist, as well for the

²⁸ Charles-M. Mushizi, *Op.cit.*, pp. 19–20.

²⁹ *Ibid.*

³⁰ *Journaliste en Danger, Liberté d’expression et élections en RD CONGO, 2016: L’information sous haute surveillance*, Rapport annuel 2015, Kinshasa, Novembre 2015, pp. 4–5.

³¹ Charles-M. Mushizi, *Op.cit.*, pp. 20–21.

²⁷ *Ibid.*

national press for international media constantly confronted with the stigma.

In terms of statistics of violations of the freedom of information recorded this year, since the publication of the last report of JED in November 2014, there are: 2 journalists killed, 22 journalists deprived of their freedom for more or less long periods and 25 journalists assaulted or threatened in the exercise of their profession³².

No doubt these very serious measures of repression against the media have marked a watershed in the ongoing democratic process, and have been, at this point, indicative of a mindset that is fundamentally hostile to freedom of press and expression in the head of the Congolese Government.

I.4. The state of freedom of press in the D.R. Congo

Freedom of the press, understood as the right to inform freely and to be informed all too freely, is a human right enshrined in international as well as above national legal instruments.

The finding is bitter insofar as freedom of expression and opinion, is not respected in the D.R. Congo by the political actors, where at any time the journalists are arrested, missing, media closed, etc. While there is a regulatory institution and having among its missions the guarantee and the scrupulous respect for freedom of press, it's the SCAC.

Reading the various reports of the JED, it is revealed that in 2015, for example, found cases of pressures and censorship on the media and journalists by public authorities represent 38% of attacks against the media, or the record of violations. In addition, at least 22 journalists, representing 30% of the media professionals were deprived of their freedom for more or less long periods. Finally, 25 cases of journalists assaulted or threatened in the exercise of their profession, or harassed media. And even this year reporters 'encouraged' to do not evoke the massacres in the province of Kasai in the D.R. Congo.

In the light of these figures, we can note that business inform remains a profession at risk in D.R. Congo and the Congolese authorities took no action, nor political, nor administrative to strengthen the safety of journalists in their work.

It is worth noting that violations of freedom of the press are still very high in the D.R. Congo.

³² Journalise en Danger, *Etat de la liberté de presse en Afrique Francophone. RD Congo: sous prétextes de la guerre...*, Rapport Annuel 2012, 10 décembre 2012, p. 10.

Despite, according to JED, a slight quantitative decrease of attacks against the media and journalists observed in 2015 and 2016 the present D.R. Congo still many challenges to freedom of the press and the safety of journalists.

Moreover, the various Governments of terror that successive never took no positive action in the direction of the improvement of the working environment of journalists, or to better security of media professionals. The impunity enjoyed by people identifiable, responsible for violations, sometimes glaring at the freedom of information is a major obstacle to the trade of journalists.

Because, in all the years targeted by our study, the problem remained the same. Journalists continue to be arbitrarily arrested by officials of some security agencies treated outside the normal judicial circuit. They are humiliated, assaulted, tortured and placed in dungeons unconnected with the Prosecutor's office. They are usually private, not only their physical freedom, but to organize their means of defense. Their release depends only on the advice of officials of these organizations which, in the best cases, expect the injunctions of the political power.

Where the exercise of the freedom of press in the D.R. Congo, is not guaranteed in practice, despite the presence of a range of legal texts are related and bodies of regulations.

II. ADVOCACY FOR THE DECRIMINALIZATION OF PRESS IN D.R. CONGO OFFENCES

II.1. Press offence, what?

In the D.R. Congo, when we talk of "press offence," we need fast recourse to article 74 of Act No. 96-002 of 22 June 1996 establishing the modalities of the exercise of the freedom of the press, to learn the definition. The article cited this law defines the crime of press as "any offence committed by way of print or audiovisual media."³³

Of this definition, it is clear that whenever an offence is committed through the press, i.e. through a media written, electronic or audio-visual, there would be a press offence³⁴.

³³ *Ibid.*

³⁴ Journaliste en Danger, *Liberté d'expression et élections en RD CONGO, 2016: L'information sous haute surveillance*, Rapport annuel 2015, Kinshasa, Novembre 2015, pp. 4-5.

Pierre AKELE detects a very broad vision of the crime of press of the fact that it incriminates somehow “the abuse of the freedom of the press, i.e. the use of the media for the purpose of committing any offence whatsoever” in the head of the Congolese legislature³⁵.

Thus, this definition provided for in article 74 of the law of 22 June 1996 is found to be vague wish by Léopold MBUYI, to the point that we must consider the press offence most as a particular mode of commission of an offence as an own offence. Press in this Act offences, said, are more aggravating and modes of criminal participation as autonomous offences. Léopold MBUYI indicated that the Organization of civil liability, the prescription and especially competence are incomplete. This omission of the legislature at the time wasn't a coincidence³⁶.

It should be noted that the concept of a press offence is not the preserve of one Congolese law. Jean-Marie Charon and Claude Ferret³⁷ consider the press offence as a crime of opinion by means of the press. For them, whenever the press serves as a means of expression to an offence, the offence becomes a press offence as long as the gate material on the crime of opinion.

Ultimately, quite, as do know Charles Mugagga Mushizi and Donat M'baya Tshimanga³⁸ as long as it can be interpreted as breaking one of the penal provisions in force in the D.R. Congo or in the international legal order, a crime of press for as much as it is committed through the press. It generates so, automatically, a criminal responsibility on the part of its author, even if the prosecution does not follow automatically or immediately. We could thus infer that whenever the press serves as a means of expression to an offence, this offence becomes a press offence. Therefore, the crime of press can be made by a professional media or any individual who would use a written or audiovisual own media to commit an offence. Where we call for its decriminalization.

³⁵ *Ibid.*

³⁶ Journaliste en Danger, Rapport annuel 2015, *Op.cit.*

³⁷ Article 74 de la loi No. 96/002 du 22 juin 1996.

³⁸ USAID et INTERNEWS, *Revue de la législation sur les Médias en République Démocratique du Congo*, Programme de Développement du Secteur Médiatique (PDSM), Kinshasa, Juin 2012, pp. 9–10.

II. 2. The decriminalization of press offences

In a democratic society, the exercise of a freedom, she was the pillar of the defense of fundamental rights, cannot be justified by the commission of violations, from challenging the legitimacy of the rules of public order, and hence the system any integer³⁹. In this context, notes Kory Yate, it belongs not to the press or to unfairly smear a man, nor publish example information likely to jeopardize the defense national⁴⁰. While acknowledging that the press as the fourth estate is a necessary asset in building a democratic State, Montesquieu⁴¹ warns that this power like any power becomes dangerous and may even ruin the democratic process by the unconsciousness of some of its members.

But unfortunately, in a democracy⁴², no person shall be criminally prosecuted for his opinions. This is the basis of the Anglo-American norm based primarily on compensation for harm caused to others only by damages, namely the civil for cases of defamation.

However, almost everywhere in the world, the defenders of freedom of expression are moving toward an outright neglect of the criminal aspect of defamation in favor of recourse to damages. In some jurisdictions, such as those in the United States, public figures are also granted less protection that private persons, and particularly on their part to prove a certain seriousness of the accusations against the journalist, such as malice is required and actual knowledge of the erroneous nature of the information at issue, before winning damages.

This regime ensures quality protection to journalists and strengthens an open discussion of political issues in the public sphere⁴³.

³⁹ A. Akele Adu, *Dépénaliser les délits de presse en RDC: pourquoi et comment?*, in *Plaidoyer pour la dépénalisation des délits de presse en République Démocratique du Congo*, Kinshasa, mai 2004, cité par I. Olenga Lumbahee, *Op.cit.*

⁴⁰ L. Mbuyi, *La problématique de la diffamation et des imputations dommageables par voie de presse*, in *Code de déontologie des journalistes en RDC, OMC*, Kinshasa, février 2005, cité par Olenga Lumbahee, *Op.cit.*

⁴¹ J.-M. Charon et C. Furret, *Un secret si bien violé: la loi, le juge et le journaliste*, Paris, Seuil, 2000, cité par Olenga Lumbahee, *Op.cit.*

⁴² C. Mugagga et D. M'baya, *Comprendre les textes juridiques et déontologiques régissant la presse en RDC*, février 2006, Institut Panos Paris, p.69, cité par I. Olenga Lumbahee, *Op.cit.*

⁴³ Fontbressen P. cité par Olenga Lumbahee, *Dépénalisation des délits de presse en République Démocratique du Congo: analyse de l'action de journaliste en danger (JED). Approche sociologique du droit de l'information*, Mémoire de Licence en Journalisme et Politique Intérieure, IFASIC-KIN, 2010.

Why, Congolese Parliament to decriminalize press offences for professionals of the media and anyone else is vowing to make use of the fundamental right to freedom of expression.

Therefore, it is imperative for the legislature to the D.R. Congo, to enact a new law on the decriminalization of all offences committed through the media and means of communication be.

CONCLUSION

Freedom of the press, remains a right to inform freely and to be informed all too freely, from one of the fundamental human rights as prescribed by national and international legal instruments.

At present, it is irrevocable conclusion that this human right is unknown in our democratic societies, because in practice every day, the freedoms of expression and opinion are not seen even less respected in the D.R. Congo.

This failure seems to be attributed to the political actors or public authorities, because at any time the journalists are arrested, missing, closed media,... when even though currently, we saw the birth of a public body says SCAC, with a mission not only to regulate the media but also and above all ensure respect unequivocally of the exercise of the freedom of press. Thing that is still monster in the D.R. Congo. Where, the investigations and reports from journalists, especially the journalist in Danger rights advocates revealed that as an example, in 2015, there was the compelling presence of cases of pressures and censures exerted on the media and journalists by public authorities represent 38% of attacks against the media, or the record of violations.

As a result, Government and Parliament must respect the freedom of the press, corollary of freedom of expression, as guaranteed by the law on the press and the Constitution of the Democratic Republic of Congo and multiple texts of an international character. They must ensure the fair and equal to all stakeholders access to public media.

Also, to push for the reopening of all media outlets closed across the expanse of the country, the release of all the journalists who are in jail, the acceleration of the adoption of the law on access to information currently under consideration in the Parliament as well as to adopt a moratorium on arrests and imprisonment of journalists, pending the adoption of a law on the decriminalization of press offences.

THE PROBLEM OF CHILD SOLDIERS AND THE EXCLUSION OF GIRLS FROM EDUCATION

Young people are often at the heart of conflicts. They may be manipulated by those in power and used as soldiers — or caught up in the crossfire as casualties. Girls' education is more than just about getting girls into schools. It is about development, health and economy. It is also linked to achieving more participative societies.

1. Addressing the situation of child soldiers

Around the world, thousands of boys and girls are recruited into government armed forces and rebel groups to serve as combatants, cooks, porters, messengers or in other roles. Girls are also recruited for sexual purposes or forced marriage. Many have been recruited by force, though some may have joined as a result of economic, social or security pressures. Situations of displacement and poverty make children even more vulnerable to recruitment.

The phenomenon is not recent, but has nevertheless increased with the end of the Cold War and the multiplication of intra-state conflicts. But the process has started even earlier. Two years after the beginning of the Second World War all sides were suffering of the consequences, because they were not ready for the conflict in a proper way. That is the main reason why the drafting age decreasing process has started so dramatically. They were trying to supply army with youngsters⁴⁴.

It is difficult to estimate the number of child soldiers in the world. The numbers are constantly changing. If thousands of children have been demobilized from armed forces in which they were fighting over the last five years with the end of armed conflict in countries such as Afghanistan, Angola and Sierra Leone, thousands more were involved in new conflicts, such as Ivory Coast, Sudan and Chad. In countries such as Colombia, Burma and the Democratic Republic of Congo (DRC), there has been little change and thousands of children continue to be used as soldiers. Currently several thousands of children used in armed conflicts in the Middle East (Syria, Libya, Iraq, Pakistan, Yemen ...) ⁴⁵ Concerning the situation of child soldiers in the world in conflict, we propose some recommendations:

⁴⁴ <https://www.child-soldiers.org/>

⁴⁵ <https://www.dosomething.org/facts/11-facts-about-child-soldiers>.

- Insist to make a Fond to protect and help Child from Child Soldiers all over the world, with collaborative work of Member States;
 - Further invites all the countries to prohibit the recruitment of child soldiers who are under 18 years old;
 - Promotes creation of advanced training courses for teachers during the martial law. This program will explain and train teachers how to behave and accomplish their work;
 - Recommends Member States, especially ones which are under the danger to impose martial law, to elaborate special course which would provide students with the necessary information how to act during the war;
 - Recommends the release of all child soldiers in conflict;
 - Urges Member States to do their utmost to prevent violence against child and to investigate all the cases when the violence took place;
 - Encourages to set a quota of pupils and students who will be sent off to the nearest countries with the same culture, traditions, religion and the language until the conflict ends in their country;
 - Appeals to boost collaboration and exchange of information between the UN and the Prosecutor of the International Criminal Court for involvement of guilty persons to responsibility;
 - Ensures the effective implementation of existing regulations;
 - Recommends to integrating age-verification for recruiting Soldiers;
 - Expresses its hope for Member States to adopt a law to stop politicians from having child soldiers businesses;
 - Recommends to adopt the program for the help and support of the children who have left ranks of child soldiers;
 - Declaring to ensure the provision of humanitarian assistance to the civilian population and taking into account the needs of children;
 - Seeking to ensure that programs for refugees and internally displaced persons safeguard children's rights and needs, e.g. for psychological counseling services, schooling and tracing their families;
 - Recall to build an orphanage for child Soldiers who don't have families or whose families could not protect them.
- a) providing special mentors to work on their development.
 - b) sending psychologists to these orphanages.

- c) providing health care through building medical punks in the orphanage.
 - Suggests the United Nations Security Council involving state parties to take further military actions and political measurements against the military organizations, governments and individuals that have been proven to be violating the children's rights in armed conflicts by the United Nations.
 - Decides to create rehabilitation centers to support disarmed child soldiers who are mentally and/or physically traumatized.

II. The Exclusion of Girls from education

Girls' education constitutes a strategic development priority, for better educated women tend to be healthier than uneducated women. Moreover, better educated women are likely to participate in the labour market, earn higher incomes, marry at a later age and have fewer children, and as of consequence provide better healthcare and education for their children. Notwithstanding the fact that these factors could be decisive in lifting thousands of households out of poverty, reality is still worrisome. Although in many countries enrolment rates, both for primary and for secondary school, are similar for boys and girls, 31 million girls are not in school⁴⁶. Overall, they continue to lag behind boys when it comes to completion rates in secondary school.

Disparities are manifest also in overall access to schooling. 16 million girls between 6 and 11 years old never enter school compared 8 million boys of the same age range⁴⁷. All the studies have shown how positively education has improved the lives of women whenever their access to education has been eased and successful. The gains have never been only for the ladies themselves, nor their families only but rather for the whole community as the ramifications from their transformation transcend their immediate environment and spill over in many aspects of daily life. While issues of poverty, violence, cultural norms and practices, poor service delivery, and poor infrastructure may have been identified for having facilitated girls' exclusion and marginalization from education; particularly in Less Developing Countries,

⁴⁶ https://unstats.un.org/unsd/gender/downloads/WorldsWomen2015_chapter3_t.pdf.

⁴⁷ UNESCO Institute for Statistics (UIS) and UNICEF (2015). Fixing the Broken Promise of Education for All: Findings from the Global Initiative on Out-of-School Children. Montreal: UIS. <http://dx.doi.org/10.15220/978-92-9189-162-7-en>.

LDCs, the role of governments and international institutions is also to be considered as a key factor in accounting for this failure of the world community in educating and, thereby, empowering our mothers, sisters, wives, cousins and all the little girls out there.

In spite of progress achieved in recent years, girls are still faced with difficulties and barriers hindering their access to education. Figures show that, in 2013, 31 million girls did not go to primary schools, whereas 32 million girls were left out of secondary schools. By 2015, 69% of countries have achieved primary education parity, whereas only 48% have achieved parity in lower secondary education⁴⁸.

Likewise, the existence of gender parity is not to be taken for granted. Many countries have not reached parity in education yet. In terms of regions, Sub-Saharan Africa and South and West Asia present the lowest gender parity rates and are the regions where the highest rates of gender gap in out-of school population exist.

While we may have international institutions like the specialized bodies of the United Nations; specifically UNESCO and UNICEF with special missions for education and for children including girls; one can still contend that despite their efforts worldwide these institutions have not done enough to eradicate or to just substantially reduce the plight of female illiteracy in the world. They have not done enough in compelling their member countries to invest more in education and apply an "education affirmative action," that is a "positive discrimination for education" public policy that would favor and accelerate the accessing of girls to education. This is what the international community needs to do to help create female leaders who will take over tomorrow from Hilary Clinton, Segolene Royale, Angela Merkel, Serlief Johnson, Theresa Mae, Marine LePen, Bambara Kinkade, Tonny Morrisson, Marie Curie, to only name a few.

Concerning the exclusion of girls from education, we propose some recommendations:

- Urges to ratify and lead all countries to execution the Worst Forms of Child Labour Convention, 1999 and the Minimum Age Convention, 1973 of the International Labour Organization to consider doing so;
- Strengthening the position of women in society by educating adults as well as children;

- Also pleased States to ensure that the right of girls to express themselves and culture;
- Support the introduction of social and psychological security that take both women's and men's needs into account;
- Calls for the establishment of mobile public schools which will be giving students lessons in informal locations such as public territories and places to open classes
 - a) Pleased to scheduling lessons flexibly;
 - b) Encouraging girls' participation and activism in classes;
 - c) Making the classrooms more child-centered and gender-sensitive;
 - d) Recruiting and training teachers who are sensitive to gender and child rights and paying them a regular living wage;
 - e) Develop an express education program for teenagers;
 - f) Providing early childhood programs;
- Eliminating gender bias from learning materials;
- Welcomes an initiative of the UN about education for girls which the Secretary general at the World forum had taken;
- Confirms in this regard that the attention should be paid also to the right of children for development, and special attention of the rights of girls;
- Urges State Members to make education free, and also to provide schools and educational institutions with necessary books and textbooks.
- Calls to make a minimum age of marriage in the age of 16 for boys as for girls without parents agreement.
- Calls to make the kinder-gardens in the same building with schools to help young mothers with education for them and their child and place a psychology meetings.
- Insistently urges the states to accept and to strictly apply the laws providing marriage only in case of a free and full consent of the persons intending to become spouses and to accept and to apply strictly the laws concerning the minimum age of a consent to marriage established by the law and the minimum age of consent;
- Urges Members states to have commercial campaigns to convey messages about child marriage:
 - a) organize lessons about sexual protection
 - b) social advertising

⁴⁸ <http://www.euractiv.com/section/development-policy/news/education-goal-far-from-reached-unesco-warns/>.

c) integrate meetings between young families and the families who have had the same problem to communicate

- Calls to make voluntary programs for qualified teachers from other countries to contribute in developing countries education:

a) these teachers help ensure school attendance and retention for girls improve

b) serve a positive role models for their students

c) make some lessons of religion and culture of different countries

d) pleased to educate young mothers and fathers for child care

Pleased to organize a hotline service for the girls in distressing situations such as:

a) violence to marriage

b) unexpected pregnancy

c) lack of communication between children and parents.

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