

# Bank-Centered Capitalist Financial Relation and Its Characteristics

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To have a correct understanding about the capitalist financial relations is one of the important subjects to know well about parasitism and weakness of capitalist economy and demonstrate inevitability of the downfall of the capitalism.

Today capitalist financial relations are grouped into either bank-centered or securities-market-centered according to the intermediaries.

In the capitalist financial relations, bank-centered financial relations have turned up earlier than the latter.

Although in the current capitalist financial system securities-market-centered financial relations are the major one, bank-centered financial relations, too, are the one to be reckoned.

The great leader Comrade **Kim Il Sung** said as follows.

**“The bank is an organ which circulates money.”**(“**KIM IL SUNG WORKS**” Vol. 33 P. 524)

The bank-centered capitalist financial relations are the ones in which bank intermediates the financial businesses.

Bank-centered capitalist financial relations, as a manifestation of bank credit relations, are a starting type of establishment of financial relations.

Bank is a historic off-spring of commodity-money relations.

Certain development of commodity-money relations becomes a prerequisite for emergence of the bank. As production and circulation of the commodity developed, monetary transaction that accepts, offers, keeps and exchanges money for those who participate in the economic activities occurred, and usury capital that was lent aimed for interests developed. Here, monetary transaction and loan service were generally handled by same person.

Such an embryonic type of bank that emerged in the end of feudalism was gradually changed to the capitalist bank as industrial capitalism was established.

A capitalist bank plays a role of intermediating honor transactions, and transforming unemployed capital into functional capital.

The capitalist bank intermediates technical operations of money circulation through the first role. In this process every kind of monetary transaction, sublease of circulating medium, and intermediation of payment by fiduciary notes is operated.

The capitalist bank, through the second role, lends unemployed capital to industrial capitalists and trading capitalists who use them as actual capital and receives a part of the profit that is earned by loan as a form of interest.

Bank is based on the commodity-money relations and is an economic unit that handles money. As money, unlike other commodities, is related to all members of society, the capitalist bank that professionally transacts money was usually run on a large scale from its early development.

As integration and accumulation of capital were stepped up and the process of integration to the bank in the capitalist society was accelerated, bank monopoly has been formed.

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Entering the stage of imperialism monopolies of bank and industry were conglutinated to financial capital so as to bring about a great turn in the role of bank.

The proportion that bank monopoly takes in financial capital is very high. That is due to the fact that loan money that a bank deals is the special commodity- money. The utility value of commodity-money can be found that it is a universal equivalent. The bank just seems to monopolize this utility value.

Bank monopoly, mainly through commercial relation of credit, conglutinates with industrial monopoly to form financial capital. In case that formation and expansion of financial capital is considered at bank, the relations between bank and fictitious capital have to be dealt.

In capitalist countries large banks directly participated in supply of capital through duty of establishment of new company, duty of alteration of organization type, i.e. duty of altering personal business into a joint-stock corporation, duty of issuing of instruments, acquisition of founder profit from outgoing instruments, duty of participation in business with ownership of stocks, and the like.

Huge-size capitalist banks directly participated in formation of financial capital through implementing these duties.

Regardless of how bank offered credit and whether issuing of securities were a direct duty of bank or not, bank took a major part in the composition of financial capital.

Historically, bank emerged as a transfer bank that simply dealt with money but, with time, as capital was accumulated it gradually developed from a simple intermediary of economic cycle to a master of it.

Such change in the position and role of capitalist bank was brought at the stage of imperialism, particularly, between the end of 19<sup>th</sup> century and the outbreak of the World War II and it accelerated after the War.

After the World War II, the trend of development that various industrial monopolies were combined into one around giant banks was visible enough.

Bank-centered capitalist financial relations have certain characteristics.

The characteristic of bank-centered capitalist financial relations is, first of all, that it is the financial relations between bank capitalists and functional capitalists.

Financial relations of borrowing and lending money are the economic relations that occurred to meet the demands for money required in the process of social reproduction in capitalist society where commodity-money relations dominate.

With the existence of the capitalist commodity-money relations, demands, especially, additional demands for money arise mainly in the reproduction process.

In capitalist society where maximum profit is sought, additional demands for money arise constantly. Whether these demands are fully satisfied in a good time or not is a fatal affair that is related to the survival of functional capitalists.

The most important link in solution of the problem of how to take measures to satisfy additional demands for money is bank credit relations: bank-centered capitalist financial relations.

In capitalist society bank regards concentrating of small short-term funds so as to satisfy additional demands for money as one of its major duties. The appropriate economic lever to meet

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huge amount of additional demands for money by functional capitalists is just the bank. It is being the economic lever that meets not only additional demands by functional capitalists but also small-scale demand for money by individuals.

With the development of capitalism, bank appeared as an economic institution that guarantees the social cycle of funds one way or other. Especially it became very important to meet additional demands for money by functional capitalists, and subsequently functional capitalist and bank capitalist conglutinated to form financial relations.

The characteristic of bank-centered capitalist financial relations is, second of all, that it is the financial relation that depends of indirect finance mode.

Bank-centered capitalist financial relations are manifested concretely through indirect finance mode.

Indirect finance mode is the one in which credit relations among bank, businesses and individuals are formed through transactions.

In indirect finance mode additional demands for money are satisfied with the financial relation of functional capitalist and bank capitalist as an intermediary step. Originally, indirect finance mode appeared when accumulation of money by functional capitalists was not at a high level yet.

However, it doesn't mean that indirect finance mode is necessarily a lower level than direct finance mode.

Indirect finance mode is nothing but an earlier one than direct mode. In other words, it is a finance mode reflecting that accumulation scale by functional capitalists has not yet reached the level at which they can satisfy their additional demands themselves.

Functional capitalists, when using indirect mode, mainly care about interest rate of bank but, when using direct mode, care about all of interest rate and issuing and distribution of securities.

After all, whether functional capitalists choose indirect mode or direct mode is determined regarding to economic environment, specifically, financial environment at a certain time.

The characteristic of bank-centered capitalist financial relations are, third of all, that they are the financial relations that involve a factor of fictitious capital to some extent.

In the capitalist financial relations, other than bank-centered capitalist financial relations, are also securities-market-centered financial relations.

Bank-centered financial relations and securities-market-centered financial relations, though they are closely related each other, have a number of distinctions. These distinctions are according to how deep related to the motion of fictitious capital.

While securities-market-centered financial relations mainly depends on movement of fictitious capital bank-centered financial relations depends more on movement of bank capital.

Capitalist bank deals in duty related to securities as an assistant one with essential duty. It has a large number of daughter companies and funds.

Thus, in the bank-centered capitalist financial relations the varieties of securities bank deals with are not many and securities related duty takes a secondary position. Here, professional bodies of securities that are daughter companies of bank that deals with securities have not developed to a high level, moreover, the objects of business are almost confined to stocks and the circulating amount of

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private loan or national loan is not much, either. In addition non-bank financial businesses that banks transact don't affect social production and circulation that much.

In the bank-centered capitalist financial relations, the relatively low proportion of fictitious capital was because the level of accumulation by functional capitalists was low.

The movement of fictitious capital is the movement of surplus monetary capital mainly formed among functional capitalists. When surplus monetary capital is formed and deviation of monetary economy from substantial economy becomes serious, fictitiousness of capital is accelerated. And acceleration of fictitiousness of capital, on contrary, effects in speed-up of accumulation of surplus money.

As social cycle of funds shifted from bank-centered to securities-market-centered today, bank-centered financial relations be came to have very much of fictitious characteristic.

Today bank-centered capitalist financial relations have a characteristic of fictitiousness no less than securities-market-centered financial relations and it plays a role of exacerbating parasitism and weakness of capitalist economy.

The fact that bank-centered financial relations involve the movement of fictitious capital even with the existence of securities-market-centered financial relations contains injustice of capitalist financial relations, and downfall of capitalism which is based on such financial relations are inevitable.

We have to understand exactly about the injustice of capitalist financial relations and undertake activities in a brisk way to exalt highly the superiority of people-centered socialism of our own style so as to make active contributions in the effort of building an economic giant.