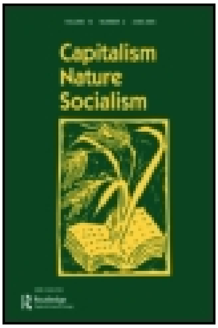

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Degrowth and Demonetization: On the Limits of a Non-Capitalist Market Economy

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Degrowth and Demonetization: On the Limits of a Non-Capitalist Market Economy

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Introduction

Since the 1980s, analysis and measures with respect to the ecological crisis have mostly been confined to the paradigm of sustainable development, which consists of the effort to reconcile the drive for profit with environmental and social concerns by State intervention. However, it is widely recognized that the results of these approaches to take on the ecological crisis are far from satisfying.

This experience, combined with the observation that only global economic depressions—the last one of them occurring in 2008—resulted in an absolute decline of CO_2 emissions, might have contributed to an increasing awareness that a decoupling of gross domestic product (GDP) growth on the one hand and material and energy throughput on the other hand might not be achievable at all. A growing community of scientists and social activists, sharing the basic insight that a reduction of energy and material use implies a reduction of GDP, is gathering under the heading of "sustainable degrowth" (Martínez-Alier et al. 2010).

The Debates on Degrowth and Demonetization

The debate on degrowth brings together social and ecological issues and has opened up a space for approaches that are critical to the current economic and political system, which is geared toward restless production of profit. Degrowth, according to the declaration of the first conference on the topic in Paris 2008, is "the process by which right-sizing may be achieved in the wealthiest countries, and in the global economy as a whole," which is conceived of "as a voluntary transition towards a just, participatory, and ecologically sustainable society" with the objective "to meet basic human needs and ensure a high quality of life."

Degrowth shall be followed by a steady state economy with a constant level of consumption. Notably, degrowth is described as being characterized by "substantially

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reduced dependence on economic activity, and an increase in free time, unremunerated activity, conviviality, sense of community, and individual and collective health (…).” The “observation of the principles of equity, participatory democracy, respect for human rights, and respect for cultural differences” is stressed (Research & Degrowth 2010, 534).

Degrowth spans a considerable range of perspectives on capitalist society and its transformation, but most of its advocates do not see critically fundamental structures of contemporary social relations such as money and markets, the State, or wage labor and capital. While skepticism toward markets as the sole regulating principle is pronounced, in the mind of many, degrowth combines well with enforced State power, as for instance, expressed in rationing measures (Alcott 2010). Even the restless quest for profit, stationed at the core of growth dynamics (as will be explained), is not consistently analyzed or even recognized as a driving force in degrowth debates (Spangenberg 2010).

Where degrowth seems to take an anticapitalist stance—as in Latouche (2010), Martínez-Alier (2009), or Bonaiuti (2012)—it is rather understood as an ideological device to undermine the “pensée unique” of neoliberalism. Latouche, for instance, draws heavily on Ivan Illich or Marshall Sahlins for a critique of contemporary society, including the centrality of markets. However, his approach in the end does not go beyond denying the validity of so-called consumerism and productivism (Latouche 2010, 521). The problem is not identified as a mode of production based on wage labor and markets; that is, critique is aimed toward production as such, not profit. Although profit is recognized as the “engine” of growth (Latouche 2010, 519), the term *consumerism* suggests that the system is geared toward consumption. But this cannot be the case since profit is that part of social product that is not consumed.

I share the basic insight of the degrowth approach as it concerns the impossibility of decoupling resource use and economic growth to the extent necessary. However, I disagree with many of the solutions suggested by degrowth advocates, arguing that sustainable degrowth necessitates a fundamental transformation of society that clearly goes beyond its current basic structures. Such a transformation is proposed by proponents of demonetization as expressed by the platform demonetize.it.[1] While the discourse of demonetization is a recent phenomenon, its content is much older. It goes back to Marx and social movements that tried to overcome markets, money, and exchange, like the early kibbutz movement or the Diggers at the end of the 1960s.

Different currents of critical thought and social movements are part of the demonetization discourse. In German-speaking countries, the publications of Robert Kurz (1997) are essential together with Michael Heinrich ([1991] 2001), Nadja Rakowitz (2000), and the feminist Roswitha Scholz (1992, 2000). More recently,

[1]www.demonetize.it

parts of the solidarity economy movement have propagated demonetization practically, as Friederike Habermann (2009) shows. Also, Karathanassis (2003), Fresin (2005), Bockelmann (2004), the Hans-Jürgen-Krahl-Institut (2008), and Exner, Lauk, and Kulterer (2008) argue for demonetization. In France, the late André Gorz (2003) supported demonetization as he linked it to the free software movement. This current is also expressed on http://keimform.de and in Siefkes (2007), who promotes commons as a demonetized mode of production.

In the English-speaking world, Harry Cleaver (1979) is one of the early theorists of demonetization, who reappears in Nelson and Timmerman (2011) on "Life without money." Genevieve Vaughan (1997) is a feminist who developed an original approach to the critique of exchange, market, and money. More recently, John Holloway (2002, 2010) made popular demonetization as a perspective, while the essential work of Moishe Postone (1993) seems to have reached only a small circle of academics. Milios, Dimoulis, and Economakis (2001) develop an interpretation of Marx similar to Heinrich. Besides Anitra Nelson (2001), Paul Burkett (2006) is notable for an ecological view on demonetization. Demonetization appears explicitly in some of the texts that reflect current social movements, e.g. The Invisible Committee (2008) and Research and Destroy (2009).

Demonetization is promoted for both ecological and social reasons. Theoretically, it draws on Marx with different extensions, namely feminist. Usually the reference to Marxism is a critical one. Often a distinction between two theoretical layers in Marxism is made: one is attached to capitalist modernization in a socialist guise and is thus pro-market; the other formulates a critique of the totality of capitalist society, including markets, money, and exchange. Most Marxists are divided in their opinions on whether this theoretical split originated in Marx or rather in the interpretation of Engels. The theoretical foundation of demonetization shall be discussed in the following with a focus on ecology.

Market Socialism: A Hidden Model of Degrowth

Actually, what we term *economic growth* today became the decisive feature of social life together with the global expansion of the capitalist mode of production, which is based on wage labor and markets in goods and services. Prior to 1000 AD, economic output per capita remained more or less stable. It grew somewhat faster afterward, but only with the expansion of wage labor and a full-blown market economy in the middle of the 19th century—that is, with capitalist industrialization, economic growth accelerated considerably (Maddison 2007, 71). While this is commonly recognized in Marxist debates, the role of the market is often not seen in its fullest extent. Most Marxists would rather stop at stressing the importance of surplus production in the form of profit for the outstanding performance of economic growth in capitalism.

In considering degrowth and the necessity of a steady state afterward, such a traditional position would tend to argue for State intervention in order to tame growth and enforce a stable throughput of resources, complemented with bottom-up participation (Sarkar 1999). Others propose "a transformation of needs," saying "from the standpoint of commodity production, this translates into a valorization of use-values over exchange-values" (Kovel and Lowy 2001), implying that commodity production, markets, and exchange continue to exist under "ecosocialism."

Those who adopt the ideology of former real socialism as it concerns the abolition of markets at face value and, at the same time, aim at limiting the State, tend to argue that the negative aspects of a Soviet-style socialism could be circumvented by introducing market elements and participatory planning procedures (Schweickart 1998). There is no publication on degrowth from an explicitly market socialist viewpoint yet, but since its basic tenet is that markets can be decoupled from capital, one can assume that it would argue degrowth could be realized through collective decisions.

Degrowth debates usually suffer from weak theoretical foundations with regard to the analysis of social structures, and even more so, as they concern perspectives of realizing degrowth. Sometimes advocated is a mere reduction in consumption by way of individual decisions (Hamilton 2010); and sometimes promoted is a more radical transformation in the direction of demonetized spheres of life, but without transcending the framework of a market economy on the whole (Cattaneo and Gavalda 2010, 588).[2] Martínez-Alier (2009, 1110) argues for equal consideration of monetary and nonmonetary aspects in decision-making, thus implying that markets and money coexist in a more or less harmonious fashion under the conditions of degrowth and a steady state.

So, most thinking about degrowth currently underlies the assumption of a market economy, the growth of which could be stopped voluntarily without social hardships, and with the ability to enter a steady state afterward. This is a non-capitalist market economy model of degrowth, the viability of which shall be discussed further on in three steps. First, I contrast with reciprocity the historical specificity of exchange, markets, and money in the modern sense. Second, I discuss the logical connection between market, money, and capital. Third, I analyze the contradictions and pitfalls of a market socialist approach, which operationalizes the idea of a non-capitalist market economy.

[2]The first author wrote a contribution for "Life Without Money" (Nelson and Timmerman 2011), which explicitly rejects markets as such (Cattaneo 2011, 209f.)

Reciprocity Versus Exchange

The assumption that markets will be part of degrowth and a steady state economy is often based on the theoretical assumption that markets, or at least exchange, are superhistorical features of any society. Thus, as a first step, it is important to show that exchange is only one distinct form of societal metabolism, one that only began to play a dominant role upon the advent of capital.

Marcel Mauss elucidated the central role of what he called *the gift* in non-capitalist societies (Mauss [1925] 1990). For Mauss, *the gift* constitutes a "total social fact" because it exists as the intersection of the spheres of life separated in modern societies such as esthetics, politics, economics, religion, culture, and ethics. While Mauss somewhat obscured his discovery by intermingling it with the category of exchange, Karl Polanyi, building on the Maussian framework, refined his conception (Polanyi [1944] 1977).

Polanyi distinguished four basic types of societal metabolism: reciprocity and redistribution (both involving gifts), subsistence, and exchange. The latter is distinctive as only exchange leads to the development of a separate institution, which is the market. In this process, the principle of exchange, which never played a more-than-peripheral role in non-capitalist societies, becomes the defining structure of society on the whole, giving rise to a veritable "market economy" (Polanyi [1944] 1977, 71ff.).

Indeed, exchange is fundamentally different from reciprocity, although both are frequently mixed up. Exchange is centered on the transaction of a good or service and does not recognize the individuals involved as human beings, but as mere vehicles or objects (Sabourin 2007, 37ff.). A social interaction that realizes exchange ends when the exchange is terminated, and it leaves, so to say, no trace behind. To the contrary, reciprocity creates social relationships. While reciprocity can involve asymmetry, even domination, its core principle is the recognition of the other as a human being. With reciprocity, material flows between individuals or groups are a secondary aspect. Reciprocity can involve such flows, but they do not define the event. Reciprocity is fundamentally productive as it creates relationships and, consequently, the realization of human beings and their society. Exchange does not produce anything; rather, it parasitizes reciprocity, both because it is necessary at least in the rudimentary form of business trust and because the agents of exchange must be able to communicate. The ability to communicate requires a biography characterized by reciprocity (cf. Vaughan 1997).

Reciprocity can take on different shapes from bilateral (such as in marriage, friendship, or companionship) to multilateral (such as in social networks, especially in the commons). Reciprocity can even be unilateral, as exhibited in the parent–child relation, which involves a chain of caring relationships from the older to the younger generations where the children give back what they received, but not to the same person (Sabourin 2007, 37ff.). A similar pattern is visible in the Trobriand Kula system, already taken as an example by Mauss. Thus, what many theories and histories of money regard to be precursors of money are signifiers of reciprocity yet mistaken as money only because the scientists socialized in capitalist society tend to see everything within the frame of exchange. Alfred Bürgin even warns against regarding the Greek *agora* as a market in a sense comparable to the modern meaning (Bürgin 1996, 44f.). Likewise, Polanyi clearly differentiates between premodern "markets" and the "market economy."

Exchange and reciprocity involve different social logics. While reciprocity is constitutive of any society because it exists as the core of social relationships, exchange is mere ruthlessness. Reciprocity can be negative, involving hatred and revenge (Sabourin 2007), yet it always constitutes a relationship. Exchange, to the contrary, is a social relation that is a nonrelationship by definition. Its logical extreme is not a liberally conceived *do ut des*, but robbery because it lacks any recognition of the other.

Historically, the system of exchange did not spontaneously evolve from antecedents such as the circumscribed local markets of the Middle Ages that were tightly enmeshed in reciprocity and had no decisive role for social reproduction, or the long-distance trade networks that served the interests of an elite who could not directly influence or enhance surplus production. Rather, the exchange system was forced upon society by what Marx called "primitive accumulation," i.e. the enclosure of the commons and the establishment of wage labor, and thus capital in the modern sense, as a relation of production.

The commons were definitionally structures of reciprocity, sometimes characterized by relative social equality, sometimes by drastic inequality, including patriarchal hierarchies (Federici 2004). After the destruction or reduction of the commons, those who were—by lack of access to land—subjugated to the principle of exchange, which had not included human beings before, were now reduced to objects and had to acquire their means of consumption on markets. Slavery was an exception, but also had a different character in preexchange societies (see, e.g. Bürgin 1996). Only with the expansion of the "fictitious commodity" (Polanyi [1944] 1977) termed *wage labor*, markets grew into a market economy.

Thus, the working class and the market economy are intertwined historically. Moreover, class is categorically related to the universe of exchange. As Heide Gerstenberger showed at length (Gerstenberger 2006), class is a capitalist category that should be distinguished from non-capitalist elites, e.g. feudal rulers. While the assignment to a class is detached from any personal qualities, such qualities, to the contrary, define elites in non-capitalist societies. Whereas a worker is able to turn into a capitalist, a feudal peasant could never become a lord. Managers indeed loose their jobs and even end up homeless in rare cases, which in theory might also happen to a capitalist, but a lord struck by poverty would retain nobility. Class, an anonymous category, reflects the ruthlessness of the exchange principle.

Nevertheless, the relation between an individual capitalist or entrepreneur and the workers involves reciprocity. Wage labor is not really a commodity, but the capitalist form of production, which involves the transfer of produce to the owner of the means of production, who transfers back a part of the produce to workers (in the form of wages). This explains frequent signs of loyalty and identification of workers with management and capitalist paternalism. However, this relationship of redistribution, which can be regarded as a subtype of reciprocity (Sabourin 2007), is strongly shaped by the overall structure of exchange, threatening workers to be thrown onto the labor market at any time.

Vaughan and Scholz see exchange as defining gender. The market as a separate institution, which creates an economic sphere that does not exist in societies characterized by "total social facts" in the form of reciprocity, leads to a rigid splitting of gender roles and attributes, which is unknown in non-capitalist patriarchies. Men and women are defined to belong to different realms, with different ontological status. Women are seen as being close to nature because they are equated with reciprocity, which is mostly ignored and often destroyed, and what is left is strictly instrumentalized by capital. Men are thought to embody reason because they are identified with the principle of exchange. Thus, capitalism often exacerbates non-capitalist patriarchal relations (Scholz 1992, 2000; Federici 2004; cf. Vaughan 1997).

The Money Form as the Structural Cause of Economic Growth

After having demonstrated that money, the market economy, and exchange are historically closely linked to capital, I shall now analyze the causes of economic growth. Drawing essentially on the argumentation developed by Marx in *Capital*, volume I,[3] capital growth can be seen as both urge and compulsion.

The compulsion to grow makes itself felt as the competitive drive for survival. This compulsion is rooted in the money relation itself. Money is the fundamental sign of social recognition within the confines of the capitalist economy. Thus, when products are not sold for a certain period of time, the costs of production are not recovered, and profits are not made, an enterprise ceases to exist. By contrast, the more the capital of an enterprise grows, the more likely is its future survival.

Moreover, there is an urge to grow that is also rooted in the money relation. Money is the abstract representation of concrete wealth that exists in infinite varieties, from houses to clothing, luxury items, etc. Through money, anything can be

[3] http://www.marxists.org/archive/marx/works/1867-c1/index.htm.

acquired; it is essentially the command over human labor power embodied in products or by workers, and thus the command over productivity. Hence, money is not an object, but a social relation that only appears as an object. Marx described this paradox as a fetishism that is already inherent in the commodity form from which the money form is logically to be derived.[4] Polanyi expressed this in terms of exchange having generated a separate institution, the market, which is "disembedded" from social relationships.

In his analysis of the value form employed in *Capital*,[5] Marx argues that the commodity form logically implies the split of wealth into a concrete and an abstract form (use value as opposed to money, which embodies value). The contradiction between the limited, concrete character of use value and the unlimited, abstract character of value appears as the contradiction between commodity and money on the surface of bourgeois society in the reality of everyday life. This fundamental contradiction is finally expressed by the contradiction between labor and capital (Cleaver 1979).

Splitting wealth into two distinct forms also establishes a hierarchical relation—the one (money) dominates the other (commodities). Abstract and, consequently, fluid wealth are in essence superior to concrete and spatially fixed wealth. First, it can be turned into any commodity and thus is superior because it is not fixed in a concrete form of wealth that might be devalued and might loose its utility as a means for production of further profit or its function as a status signifier. Second, in the form of money, value can be "shifted" and appears to be freed from physical restraints, which make status competition by exploitation very flexible both geographically and as it concerns investment strategies.

Hence, money becomes the first and ultimate object of production even though, apart from the social power it embodies, money is completely useless. While it makes sense to produce one kilogram of bread from one kilogram of ingredients, it does not make sense to make $100 with $100 invested. Naturally $101 starts to make sense and $259 is even better. Not only because of competition, but also because of the abstract character of monetary wealth, production for the market is inherently driven by growth. It is money that constitutes the start and end points of a production cycle in the market economy; human needs and ecological limits are necessary framework conditions, but not the ultimate guidelines.

Both the urge and compulsion to grow ultimately rest on the dynamics of status competition within the capitalist class. Capitalists and entrepreneurs try to preserve their supreme social power and so are obliged to accumulate capital. While the

[4]The value form analysis is not interpreted here as retracing a historical process, but as a logical unfolding of categories specific to the capitalist mode of production (Backhaus 1978, Heinrich [1991] 2001, Rakowitz 2000).

[5]http://www.marxists.org/archive/marx/works/1867-c1/ch01.htm#S3.

structural matrix of competition and endless moneymaking is inherent in the money form itself, as was explained above, its motivating force is social domination geared toward reproducing and expanding itself. The class divide finally results in fine-grained patterns of income differences that generalize status competition (Wilkinson and Pickett 2010). This generalization stabilizes capitalism ideologically.

This causality is different from non-capitalist domination and production. In societies where the rule over territories and their inhabitants operates as a signifier of social status and the source of goods for conspicuous consumption, accumulation of power, and thus status is limited by physical constraints. The greater the territory a ruler had to administrate, the more precarious the empire became; with increasing distances, transaction costs rose faster than surplus. The structure of an empire is different from the modern State in that control of its central power becomes weak toward the peripheries and its boundaries are vague. Hence, tribute was usually lower in the peripheries than in the center. In European feudalism, power was not even centralized, but diffused in a broad and complex web of relations (e.g. Breuer 1998, 18). The opposite is true for capital: the greater it is, the easier it grows, and the better it withstands crises; this turns the differences between centers and peripheries into profit.

Furthermore, in non-capitalist societies, surplus production and appropriation were often limited by social constraints and ethical norms, which, for instance, rendered illegitimate the eviction of peasants in European feudalism because society was governed by reciprocity rather than exchange. It also set practical limits insofar as the accumulation of concrete wealth was—loosely—restricted by the possibilities of storage, maintenance, or consumption. The very limited role of exchange made it impossible to systematically increase the productivity of labor by freely allocating resources and labor power.

David Harvey argues that capitalist society also operates on a territorial logic distinct from the logic of capital (Harvey 2003). This is correct insofar as capital only exists together with a State that does not directly follow the logic of accumulating capital, but of accumulating a means of control for the reproduction of itself. This can, but does not necessarily, imply geographical expansion. Although the State is an agent of primitive accumulation, it is not the cause of capital growth. Quite to the contrary, any territorial logic that has survived into the age of capital depends on capital growth for its means.

In summation, social inequality entails status competition, which might cause ecological destruction due to conspicuous consumption and war. But only in a market economy, which is just another term for capitalism, status competition becomes unlimited both as a perspective (because moneymaking has no inherent limitation) and as a practical endeavor (because of the enormous productive-destructive forces unleashed by exchange, which results in ever-increasing ecological destruction).

The Problems of "Green" and "Non-Capitalist" Money

From the analysis unfolded above, it follows that capital and money cannot be separated. This is also the result of Marx's approach in *Capital*, volume I. There, Marx first of all distinguishes barter from the circulation of commodities: "The process of circulation, therefore, does not, like direct barter of products, become extinguished upon the use values changing places and hands."[6] Money thus constitutes a specific economic reality, a sphere of abstract wealth that exists both in transmutation with and separation from the sphere of commodities. So the existence of money is not grounded in itself; it can only be conceived in relation to commodities, and both money and commodities only exist as embodiments of abstract value. The system of exchange, i.e. the market economy, is logically tied to capital. Marx describes this through his investigation of the logical requirements for the category of value to become an "objective form of thought"[7] that governs a particular mode of production. This is done by shifting from the theoretical model of simple circulation to the circulation of capital:

> In simple circulation, C—M—C, the value of commodities attained at the most a form independent of their use-values, i.e. the form of money; but that same value now in the circulation M—C—M, or the circulation of capital, suddenly presents itself as an independent substance, endowed with a motion of its own, passing through a life-process of its own, in which money and commodities are mere forms which it assumes and casts off in turn.[8]

Not all money is capital, but without capital, money is not an all-embracing mediator of metabolism.

Nevertheless, the notion of non-capitalist money and the assumption that a market economy could be non-capitalist are both widespread. A prominent line of argumentation goes back to Pierre Joseph Proudhon, who was already criticized by Marx. The entrepreneur Silvio Gesell (Rakowitz 2000) further developed his approach. Today, it blooms in the discourse on regional currencies, time banks, and local exchange trading systems (LETS), which are, among others, promoted by the Transition Town movement as a possible tool for enhancing resilience (Hopkins 2011, 260f.). It also is at the core of "green money" debates (e.g. Kennedy 1995; Douthwaite 1999; Lietaer 2001).

Gesell attacked capitalism but identified it with interest-bearing capital, which is merely a specific form of capital ultimately based on the exploitation of surplus labor (as Marx has analyzed). In Gesell's interpretation, capital has nothing to do with

[6] http://www.marxists.org/archive/marx/works/1867-c1/ch03.htm#S2a

[7] http://www.marxists.org/archive/marx/works/1867-c1/commodity.htm.

[8] http://www.marxists.org/archive/marx/works/1867-c1/ch04.htm.

either the class cleavage between wage laborers and the owners of the means of production or with the market economy (Exner and Grohmann 2005). The ideology of Gesell, which informed an entire movement in the interwar period, regained currency first during the neoliberal crisis of the 1980s and has since reappeared in the framework of occupy movements. There, credit and interest are the focus of critique rather than the money relation (e.g. Hörmann and Pregetter 2011; Graeber 2011). The "money system" is then criticized insofar as it depends on credit.[9] As a rule, "green money" advocates also regard interest-bearing credit as the ultimate cause of growth.

Nothing could be more off-point. Credit in its capitalist form, which finances investments for the sake of profit, is the result of capital growth, not its cause.[10] Firms demand credit because they can accelerate accumulation by expanding it to the limits of the physically possible, as Marx describes in volume III of *Capital*.[11] With credit, investments are no longer restricted by retaining profits.

The movement of the interest rate correlates negatively with the growth rate of capital, which is basic policy knowledge, amply demonstrated to be correct in the current crisis. However, while high interest surely reduces investment and growth, lowering it will not in itself enhance growth since investments depend on profit expectations that can remain depressed even with low interest rates.

But capitalism without credit is logically impossible, because the realization of surplus value depends on surplus demand beyond the consumption of the working class and the capitalist class. If the total social product would be consumed, no net profit would exist because profit is per definition surplus product (i.e. product surpassing consumption). The money necessary for realizing surplus value as profit is created by credit. On the other hand, credit is only demanded if profit is expected and banks only provide credit if they share this expectation. Thus, credit is part of the feedback mechanism of profit production, but not its cause.

Leaving aside the question of whether regional currencies and "green money" can support resilience—which is doubtful—they are, in any case, nothing more than commercial schemes that instrumentalize the local for the marketing of specific factions of (small) capital. They certainly do not transcend capital since the firms taking part in regional currency schemes as a rule employ wage labor. Regional currencies became very popular after the financial crisis of 2000 and 2001 in

[9]Central bank money is not credit money, even if it formally appears as such, since credit logically implies the promise to pay it back in real money. In relation to central bank money, though, there is no real money with which central bank money could be exchanged. However, central bank money enters the circulation process mostly through credit when commercial banks incur debts at the central bank (Heinrich [1991] 2001, 304).

[10]For example, in Volume III of *Capital*, Part V, Chap. 25, Marx notes that credit is already part of the theoretical model of a simple circulation of commodities as described in Volume I, http://www.marxists.org/archive/marx/works/1894-c3/ch25.htm.

[11]Part V, Chap. 27, http://www.marxists.org/archive/marx/works/1894-c3/ch27.htm.

Argentina. The nationwide Argentine LETS was largely non-capitalist, but it mainly mediated individual producers (Colectivo Situaciones 2003). This lack in cooperation of participants was also its deficit; it failed to satisfy the most pressing needs of the population, such as food and housing. The scheme collapsed.

The Fallacies of Solidarity Economy and Market Socialism

More interesting than such dead ends with little relevance to degrowth are the theoretical conceptions of market socialism (Ollman 1998) and practical solidarity economies based on cooperatives (Mance 2002). Both approaches have much in common, although they usually do not recognize each other: market socialism has prevailed as a model-oriented debate that reaches decades back; and solidarity economy has existed as mostly a practical, hands-on approach that developed out of necessity about 20 years ago and was not inspired or led by the model-like perspective of a new social order (Singer 2003).

The term *solidarity economy* was coined by Luis Razeto in Chile[12] and was adopted in other Latin American countries over the course of the 1990s and the early 21st century. In Brazil, the movement has even achieved the support of a state secretariat of solidarity economy (Singer 2003); meanwhile in Venezuela, a comprehensive government program is in place to foster it (Azzelini 2010).

The discourse on solidarity economy as a rule does not criticize markets as such, so it is no surprise that there is frequent reference to regional currencies or fair trade (Mance 2002). Yet the core idea of solidarity economy consists in the self-management of workers and solidarity relations toward society. In this way, two pillars of capitalism are attacked tendentiously.

However, specific problems resulting from the market economy persist. While class cleavage is transcended within the confines of a solidarity economy firm or project, cooperatives within a market economy suffer from the internalization of the contradiction between labor and capital by becoming their "own capitalists," as Marx already noted.[13] But democratic decision-making takes time, and time is scarce due to market competition. Moreover, the self-control necessary to be "one's own capitalist" often puts workers under further stress. Consequently, there is the tendency to install a leader stratum as a functional equivalent to capitalist management, as in the cooperative Mondragon (Kasmir 1996).

Solidarity is a symmetrical form of reciprocity, incompatible with markets. So, even when solidarity economy actors engage in regional currency networks or ethical banking, they tend to modify exchange by introducing a considerable moment of

[12]http://www.luisrazeto.net.

[13]http://www.marxists.org/archive/marx/works/1894-c3/ch27.htm.

reciprocity. At the same time, this approach is contradictory and reciprocity remains subdued. However, seldom is this reflected on due to the lack of adequate theory (Sabourin 2007). This contradiction could only be solved by entirely replacing exchange.

Market socialist debates have a different history. They developed in opposition to the model of real socialism, which is dominated by strong State intervention. They assume an economy based on cooperatives linked by markets. Market socialism often referred to Yugoslavia under Tito. In Bolivarian Venezuela, these debates again become relevant. There, a Yugoslavia-type socialism is looked at skeptically, and some policies of the Chavez government even try to support nonmarket economies based on reciprocity (Harnecker 2009, 336; Azzelini 2010, 246; cf. Buttkereit 2011, 127ff. on Lebowitz).

The main problem of the Yugoslav model was competition between cooperatives. As could have been expected, the principle of exchange was an obstacle to cooperation beyond the confines of the enterprise. Ernst Lohoff has shown how the alleged "third way" of Yugoslav socialism prepared the ground for the ensuing civil war in the 1990s by enforcing the logic of exchange on a society that would have otherwise been based on subsistence and reciprocity (Lohoff 1996).

Theoretical models of market socialism are more elaborate than was the Yugoslav reality (cf. Ollman 1998). However, critics often attach themselves to a State-led model for transcending the market, which is not viable either. Unlike the dominant view, real socialism did not transcend markets, but only attempted to regulate them strictly (Stahlmann 1990). Real socialism was deeply characterized by the monetary form: workers were paid wages, firms should have made profits, economic output was measured in monetary terms, and, consequently, goods and services had prices. The State adopted the role of the capitalist and tried to implement economic planning oriented toward economic growth. But markets and capital are only the other side of the State; the split between the sphere of "the economy" and "the political" is typical for bourgeois society, where the capitalist mode of production reigns (Gerstenberger 2006). Small wonder, then, that the State did not do away with markets, but rather tried to manage them.

Because capital was not abolished but only transferred into the hands of the communist party, class struggle persisted. The structural ruthlessness of markets expressed itself in the neglect of social and ecological concerns. The first and ultimate aim was to gain money; relationships were secondary, and reciprocity was limited. Since the State suspended bankruptcies, such neglect took on even more severe forms than in the West, with dysfunctional products being more the rule than the exception. Class struggle resulted in widespread subversion. Since the State is, by definition, an entity separate from society, it continued to depend on information provided by the firms, which concurrently had an antagonistic relationship with the State (as it was a force external to the firms). Because they had a great deal of incentive to underestimate the productive capacities and overestimate the need for resources, the basis of economic planning was systematically distorted (Stahlmann 1990). Hence, market socialism cannot be criticized by calling for the State, the further existence of which, by the way, is also assumed by market socialists.

Besides arguments via logical analysis of capital that result in a critical view of the idea of a non-capitalist market economy, there are two arguments concerning the historical process that render the viability of the capitalist market economy improbable. First, society is path-dependent; the present is the result of the past. This principle rules out utopian thinking, i.e. approaches that are not linked to actual tendencies and struggles in the present, because the path of social development constrains the goals that can be reached. Under this premise, it is hard to see how a society that should be characterized by equality, cooperation, and trust—as market socialism claims to be—could develop without considerably strengthening solidarity, i.e. reciprocity. Perhaps a form of market socialism with a very limited role of markets would be compatible with the necessary strategy of enlarging solidarity at the expense of markets; but if markets only play an accidental and restricted role, one might ask why socialism would need them at all. Most importantly, it is questionable whether markets and monetary calculation could allow degrowth. Monetary losses would then have to be practically interpreted as social and ecological gains. This is hardly possible if money should exist at all.

Could political pricing alleviate this pitfall? It is difficult to imagine this as well, since the necessary closure of many factories would then have to appear as profits; at least, the average wage would have to remain constant despite shrinking output. This would probably lead to hyperinflation and would consequently illustrate the contradiction between degrowth and the money form in practical terms.

Second, we can set up a thought experiment and ask how market socialism would deal with bankruptcies—an inevitable product as well as the desired result of market competition. Since we assume a socialist society, bankruptcies will not lead to social inequalities. So members of bankrupt cooperatives would have to benefit from social transfers at the average income level or get resources to create a new business, or they could opt to join a successful cooperative.

In the first case, it is not clear why people should then compete at all. Anyway, we would rather expect them to prefer cooperation to competition since they would live in a socialist society, as market socialists claim. In the second case, it is not clear why society should first declare a firm bankrupt, i.e. devalue important resources, and then provide members with resources that might be wasted again. In the third case, the most competitive cooperatives would grow until society in the long run resembles one large cooperative of cooperatives, dispensing with exchange. This is a classic perspective of anarchist communists like Landauer and Buber (Horrox 2009), but not the goal of market socialism.

Conclusion

Demonetization is not another utopia, but the logical consequence of an analysis of the causes of economic growth, the requirements of degrowth, and a subsequent steady state. However, such a consequence would have no immediate strategic importance if the conditions of a demonetized mode of production and consumption were not already in existence. Yet this is indeed the case.

Solidarity economies and the commons are demonetized modes of production, distribution, and consumption that replace markets, in varying degrees, with reciprocity (Exner and Lauk 2012). Only reciprocity allows democratic governance and participatory planning. To make it effective, markets have to give way to cooperation. As real socialism has shown, trying to steer markets through State intervention is a vain effort. This outcome could have been foreseen on theoretical grounds. The narrow limits of State intervention in a market economy are even more important from a degrowth perspective: presupposing a market economy on a degrowth path would presuppose complete State control over the means of production. Only in this way could be realized, first, a reduction in output, and then a steady state in which profits are spent on luxury goods, or one in which investments would flow entirely into increases of resource efficiency—these would have to match, moreover, any increase in capital. In the case that a society would be forced by State power to reduce production (and consumption) and then hold it constant, such a measure would hardly be compatible with the idea of society based on well-being, conviviality, and equality. This would rather resemble a Soviet-style steady state, which is not an intention of degrowth.

Presupposing a degrowth market *socialism* is self-contradictory as well. Why should individuals who compete in the economic sphere, one that is separated from the realm of the political, cooperate in the political? This idea is actually identical to the liberal ideal of bourgeois society, which in the course of political emancipation actually accomplishes "the reduction of man, on the one hand, to a member of civil society, to an *egoistic, independent* individual, and, on the other hand, to a *citizen*, a juridical person," as writes Marx in *On the Jewish Question*.[14] While the egoistic, independent individual on the market must strive for the competitive advantage to survive physically and as a social being that desires social recognition, the citizen should regard society from the viewpoint of the general interest of humankind.

"Only when the real, individual man re-absorbs in himself the abstract citizen," states Marx in contrast:

> and as an individual human being has become a species-being in his everyday life, in his particular work, and in his particular situation, only when man has recognized and organized his 'own powers' as social powers, and, consequently, no

[14] http://www.marxists.org/archive/marx/works/1844/jewish-question/.

> longer separates social power from himself in the shape of political power, only then will human emancipation have been accomplished. (Exner and Lauk 2012)

Degrowth requires such an emancipation from the forces humans have unleashed yet do not control—this separate institution beyond social relationships, the market, and the status-driven quest for profit it engenders—as well as the State.

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