

POLITICAL ECONOMY FOR 21st-CENTURY MODELS OF SOCIAL DEMOCRACY AND SOCIALISM

Following Up the Issues Raised by David Harvey

Makoto Itoh

Makoto Itoh is Professor Emeritus of the University of Tokyo, and a member of the Japan Academy. He is the author of *Value and Crisis* (1980), *The Basic Theory of Capitalism* (1988), *The World Economic Crisis and Japanese Capitalism* (1990), *Political Economy for Socialism* (1995), *Political Economy of Money and Finance* (with C. Lapavistas, 1999), and *The Japanese Economy Reconsidered* (2000).
Email: mktitoh@nifty.com



Abstract: This article intends to re-examine what is necessary and desirable for reconstructing social democracy and socialism for the 21st century against neoliberalism. It starts by reviewing the final chapter of David Harvey's *The Enigma of Capital* (2010), where he presents his ideas of what is to be done about a series of important issues of our age. Among other things, we have to rethink anew notions of communism, socialism, anti-capitalism, anarchism, social democracy, and Keynesianism against neoliberalism. Beyond the typical 20th-century models of social democracy and socialism, which expected to change the roles of nation state upon the ground of trade union movements, new features and components of their 21st-century models are to be examined. Among them, let us reconsider here more concretely, based upon our recent experiences, what to expect on Keynesian devices, green recovery policies, the ideas of basic income and local currencies.

Key words: social democracy; socialism; green recovery; basic income; local currencies

What is to be Done?

The final chapter of David Harvey's *The Enigma of Capital* (2011) is titled "What is to be Done? And Who is Going to Do It?" It presents us a series of important issues to be discussed in our age under the disastrous world economic situation ranging from the subprime to the sovereign crisis. Among others, we have to

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rethink anew notions of communism, socialism, anti-capitalism, anarchism, social democracy, and Keynesianism against neoliberalism. We are thus induced to reconsider large-scale alternatives to the neoliberal tendency to shift the burden of continuous global crises onto the shoulders of working people.

Harvey points out powerfully that the weakness of orthodox neoclassical economics as a foundation of neoliberalism is its inability to decipher the enigma of capital, concerning why and how capital inevitably forms a capitalist market economy which is intrinsically crisis-ridden as we are experiencing in the recent world economic crisis. I basically agree with him that the basic theory of capitalist economic crisis in Marx's *Capital* (1867: 85, 94) is suitably applicable to the contemporary world crisis.

However, there remains a difference between us on how to utilize Marx's crisis theory. Harvey (2011) takes a multi-causal approach to maintain various types of crisis theory in *Capital*, such as over-accumulation theories underlining a fall in profit rate due to either labor shortage or rising composition of capital, and excess commodity theories underlining the difficulty of realization of values of commodities due to either anarchical disproportion among industries or under-consumption among workers, which are to be applied to different historical cases of crisis.

By following up K. Uno (1953), a Japanese original Marxian political economist, I intended to complete a basic theory of classical cyclical crises of labor-shortage type together with Marx's theory of credit system, in accord with Marx's intention to clarify commodification of human labor-power as the fundamental root of contradiction of capitalist economy (Itoh 1980, 1988). The global inflationary crisis at the beginning of the 1970s occurred after over-accumulation of capital in relation to laboring population in the advanced economies as well as to flexibility in supply of primary products in the world market, and was analyzed exactly by applying such an over-accumulation theory of crisis of labor-shortage type, as Harvey agrees.

As a reaction to this crisis, the exceptionally advantageous position of workers and their trade unions easily to demand a wide increase of real wages due to labor-shortage was reversed continuously in advanced economies, both domestically and internationally, in the process of reformation of an industrial reserve army through "rationalization" of wage costs by means of information technologies (IT), weakening trade unions under neoliberal privatization of public enterprises or deregulation in labor laws, and utilization of cheaper workers abroad by multinational corporations. Just as in the phase of depression in a classical business cycle after a crisis, excessive laboring population as industrial reserve army, excessive idle capacity of capital and idle money capital co-exist continuously, and remain difficult to mobilize together.

The prolonged depressive trend for workers has been extended and strengthened under neoliberalism since the 1980s and has served as a background for repetitive financial speculative bubbles and their bursts in our age, culminating in the recent subprime crisis. Such a historical sequential causality between the inflationary crisis at the beginning of the 1970s and the subprime world crisis should not be neglected, as in Harvey's multi-causal approach where just the contrast between those crises is stressed. At the same time the fundamental contradictory difficulty for capitalist economy to treat human labor-power as a commodity should be consciously analyzed in the different historical features and contexts of those crises.

So long as the root of basic contradiction of capitalist economy lies in commodification of labor-power, as Marx intended to show it in the labor-shortage type of crisis theory, it could not be solved just by removing disproportionality or shortage of workers' consumption in 20th-century models of centrally planned socialist economies, such as in the USSR, as well as in models of social democracy to operate Keynesian employment policies. The final aim of the self-liberation of working people to be real masters of society is to be carefully and consciously achieved by targeting abandonment of undemocratic social orders to subjugate workers under the commodity form of labor-power.

The attraction of Harvey's presentation on "what is to be done" after deciphering the "enigma of capital" or causes of irrational destructive current global crisis is also deeply related to failures of 20th-century models of social democracy and socialism. While Marx's theoretical insight into the fundamental crisis-ridden instability of capitalist economy attracts new attention in the face of the current world crisis, including from the mass-media, various social and workers' movements are not easy to unite politically. In many countries it is still difficult to restore the past radiance of Marxian socialism or communism to attract people as a powerful way out from capitalism. The failure of the USSR tends to be identified with the failure of Marxian socialism in general. The neoliberal belief in rationality to liberate individual freedom in a market as a natural order broadly prevails in commonsense among people against socialism.

Here is "a double blockage," as Harvey (2011: 227) points out. Namely, "the lack of an alternative vision prevents the formation of an oppositional movement, while the absence of such a movement precludes the articulation of an alternative." The mutually restrictive relation between an alternative vision and an effective oppositional political social movement has to be turned into a spiral out from a closed circle.

In order to rebuild a co-revolutionary anti-capitalist spiral movement towards another possible world, "there have to be some loosely agreed upon common objectives," as Harvey (*ibid.*: 230) suggests.

These might include respect for nature, radical egalitarianism in social relations, institutional arrangements based in some sense of common interests, democratic administrative procedures (as opposed to the monetized shams that now exists), labour processes organized by the direct producers, daily life as the free exploration of new kinds of social relations and living arrangements, mental conceptions that focus on self-realisation in service to others and technological and organizational innovations oriented to the pursuit of the common good rather than to supporting militarized power and corporate greed.

Among these objectives, radical egalitarianism should be carefully maintained not just in the final achievements but also in the whole process of co-revolutionary social movements. On this issue Harvey points out:

Contemporary attempts to revive the communist hypothesis typically abjure state control and look to other forms of collective social organization to displace market forces and capital accumulation as the basis for organizing production and distribution. Horizontally networked, as opposed to hierarchically commanded, systems of coordination between autonomously organized and self-governing collectives of producers and consumers are envisaged as lying at the core of a new form of communism. Contemporary technologies of communication make such systems feasible. All manner of small-scale experiments around the world can be found in which such economic and political forms are being constructed. In this there is a convergence of some sort between the Marxist and anarchist traditions that harks back to the broadly collaborative situation between them in the 1860s in Europe before their break-up into warring camps after the Paris Commune in 1871 and the blow-up between Karl Marx and one of the leading radicals of the time, the anarchist Michael Bakunin, in 1872. (ibid.: 225)

This argument on a new form of communism and its organizational spirit to network horizontally in collaboration with anarchist tradition is also full of actual sense and attraction in our age. Let us try to discuss some issues of 21st-century models of social democracy and socialism by following up Harvey's interesting suggestions and arguments so as to revive Marxism in our age.

The 21st-Century Models of Social Democracy and Socialism

In retrospect, typical 20th-century models of social democracy and socialism mostly expected to change the roles of nation state to improve the welfare of working people based on the growth of trade union movements. Social democracy demanded mainly reallocation of income through state to realize a more egalitarian

economic order, and believed in Keynesian employment policies within a capitalist society. Communism or socialism tended to believe that a revolution of capitalist socio-economic order should be achieved so as to make a classless egalitarian society based on public ownership of major means of production through the (changed) power of the state. Although Harvey occasionally identifies the term socialism with social democracy by distinguishing it from communism or anti-capitalism, more common usage of the term socialism, in my view, signifies communism or an early stage of communism.

In general, Marxian socialists, by more or less following the USSR's "orthodox" view, tended to refute social democracy as revisionism, although they occasionally collaborated with social democrats and social democratic economic policies, such as in the US New Deal period, or in the Japanese reconstruction economic policies just after the Second World War. They are also inclined to assess anarchism negatively, which stresses the importance of individual human liberty and spontaneity.

Ecological crises and the demographic problem of an aging society with lowered birth rate in many advanced countries were not yet much considered among social democrats and Marxists.

In contrast, 21st-century models of social democracy and socialism are surging globally with the addition of new features and components beside their traditional characteristics. The signs of such new features and components were shown in people's expectation for the political change to Democratic Party government in 2009 both in the USA and in Japan.

The green-recovery policy in Obama's new New Deal, and the Japanese eco-point system to promote more eco-conscious electric appliances, cars and houses, for example, have demonstrated a realistic social democratic policy to cope with ecological crises in our age. After the disastrous accident at the nuclear power station at Fukushima in March 2011, a large number of people in Japan and the world now want denuclearization of energy resources as an essential part of a green recovery strategy for the future.

In 2009, the Democratic Party government in Japan also enacted child benefit allowances, providing 13,000 yen (promising to double it next year) a month per child unconditionally until graduation from junior high school. This policy is regarded as an initial attempt to introduce the idea of basic income as a radical reformation of social democracy by following contemporary north European social democratic models.

These revived social democratic policies were combined with the emergency economic policies to rescue banks and other financial corporations among others, especially in the USA and EU, in the face of the subprime global crisis. As a result those policies managed to mitigate the destructive spiral of financial asset

especially for wealthier capitalists, and realized considerable recovery of growth rates in Japan (by 10%), EU (by 6.4%) and the USA (5.5%) each from minus in 2009 to plus in 2010. The effectiveness of social democratic policies was demonstrated even in our age of globalized economies.

The strong recovery, however, was rather short-lived. As the fiscal crises of the state deepened, the green recovery policies such as eco-point systems were terminated and lost momentum, and austerity policies in the line of neoliberalism revived in major capitalist economies beginning from the euro crisis.

Obama's Democrat government was narrowly re-elected in November 2012, but shifted its major recovery policy to set up the TPP (Trans-Pacific Strategic Economic Partnership Agreement) in accordance with neoliberal ideals. This international agreement intends to promote free trade and international business and investment for big business corporations among trans-Pacific countries. Japan is invited and has joined TPP negotiation under the new LDP (Liberal Democratic Party) government led by S. Abe since July 2013, causing broad political disputes.

Harvey's argument on "what is to be done," as we have seen, reflects people's general expectation and social concerns for the 21st-century models of alternatives to neoliberalism. Against neoliberal austerity policies, Harvey (2011) certainly estimates Keynesian growth policies, and states as follows. The government budget deficits "do matter, of course, but the best way to reduce it is to stimulate growth" (p. 268). "The world is bifurcated between deficit paranoia in North America and Europe and a Keynesian expansionism in east Asia, led by China. There the politics are very different and the outcomes even more strikingly so" (p. 270).

However, he also notices that people's expectation for the political changes in 2009 was short-lived and betrayed. "Throughout much of the advanced capitalist world, following an initial flirtation with a revival of Keynesianism, the sovereign debt crisis has become an excuse for the capitalist class to dismantle what is left of the welfare state through a politics of austerity" (p. 265). As time goes on it becomes all too clear that President Obama is also a member of the "Party of Wall Street" (p. 266).

By following up Harvey's criticism, we have to reconsider further why social democratic Keynesianism is so difficult to maintain in our age. The strength of the "Party of Wall Street" which affords to control both the Republican and Democratic Parties including Obama must represent the US-centered contemporary global system of accumulation of financialized capitalism. The basic framework of this financialized capitalism contains intrinsic instability and contradiction, as Harvey stresses, to cause continuous collapses of bubbles culminating in the recent world crises from the subprime to sovereign crisis. Nevertheless it survived the self-destructive crisis largely assisted by the emergency economic policies to

rescue banks and other financial corporations. It tends to work for restoration of neoliberal austerity policies and the TPP type of free trade policy for multinational corporations, once an acute phase of crisis is over.

From such reconsideration, Marxian positions on the 21st-century models of social democracy may be bifurcated. On the one hand, some Marxists would refute social democracy as inconsistent, unstable and even deceptive revisionism, in accord with the 20th-century model of “orthodox” Marxian socialism. They would pursue directly 21st-century models of socialism. Actually, in more than a few developing countries as well as some peripheral EU countries, social democratic employment and welfare policies may seem to be unaffordable luxuries for several decades to come.

Even in advanced economies, some Marxists would not expect much support for social democracy, and emphasize the argument for 21st-century models of socialism. Insofar as Harvey does not discuss much the significance of components of 21st-century models of social democracy, his arguments on “what is to be done,” in my reading, mainly target 21st-century models of socialism.

On the other hand, another group of Marxists argue more positively for 21st-century models of social democracy as an important step forward to socialism against neoliberalism. For instance Marxian political economists including D. Kotz and J. Crotty cooperated in the Center for Popular Economics in Amherst and worked out *Economics for the 99%* (2012), where contemporary social democratic strategies to revise expanded uneven distribution of income and ecological crises are presented within a capitalist economic order first, as a positive step forward for socialism.

This position can, possibly, be more realistic in many advanced countries as a first step to remake a positive spiral out from a closed circle between alternative desirable vision and scattered social movement under the persistent dominance of neoliberalism. It is essential, however, to maintain a Marxist position to aim at socialism in the process of cooperating with social democracy, by avoiding a revisionist tendency to abandon a socialist goal to achieve classless egalitarian society. Harvey’s arguments on radical egalitarianism, horizontal networking, and convergence between Marxism and anarchism in the 21st-century style of social movements are suggestive on this point.

As promoting bodies for anti-capitalist social movements, not just trade unions on which, traditionally, the left mainly relied, but also broader cooperative (consumers and producers) unions, workers’ collectives, NPOs, NGOs in various fields, and people’s spontaneous demand and resistance against deprivation of dwellings, jobs and income, must potentially be expected. Such potentiality of grass-roots and more or less anarchical social movements with horizontal networking through digital communication devices is actually shown commonly

in persistent occupy movements in the USA, in the anti-austerity demonstrations and strikes in EU countries, and denuclearization (of energy) movement and cooperative support for devastated areas after the giant tsunami and the nuclear power station accident in Japan.

Candidates for Promising Strategies

What can we conceive as candidates for promising strategies for the 21st-century models of social democracy and socialism? Let me discuss four candidates and try to follow up Harvey's suggestions in somewhat more concrete illustrative cases.

1. *Keynesianism*: Keynesian expansionary fiscal and monetary policies were regarded as an essential pillar of 20th-century models of social democracy. Many Marxian political economists in the USA and Europe, including Harvey, seem in favor of Keynesianism unconditionally against neoliberalism. However, in our experience in Japan, we should be more deliberate in assessing Keynesian policies in our age.

A huge speculative bubble in both real estate and the capital market was ignited by Keynesian expansionist fiscal and monetary policies in Japan in the late 1980s, so as to avoid trade friction with the USA, and its collapse initiated the "lost two decades" in Japanese economy since the 1990s. During these decades, Keynesian emergency fiscal policies were repeated 22 times, spending about 100 trillion yen in total without successful recovery from the declining deflationary economy. The multiplier effect (or the ratio of income growth generated per unit of additional public expenditure) is now lowered to around 1.2 times at most.

Keynesian fiscal and monetary policies as emergency economic policies were not always against neoliberalism. Unlike in the preceding period of high economic growth until the beginning of the 1970s, real wages no longer rose more or less in proportion to increased productivity, but tended to be lowered despite rising labor productivity in work places, as unstable irregular workers increased while trade unions were weakened and deregulation of the labor market was promoted by neoliberal policies. Combined with the neoliberal reduction of income tax, inheritance tax and corporate tax, Keynesian emergency fiscal and monetary policies helped much wealthier social classes, and expanded unevenness in income and asset distribution among Japanese households.

Thus we are realizing that Keynesian policies are not always social democratic welfare devices, and can be operated even under neoliberal governments in promoting deregulation for competitive labor market to make job conditions more and more unstable and severe for the majority of workers. Insofar as Keynesian policies were operated along with neoliberalism, they could not recover economic

growth out from the stagnant depressed domestic demand, and had to deepen the budget crisis of the Japanese state into the worst proportion of total remaining public debt against GDP (beyond 200%) among the advanced economies.

After the general election for the House of Representatives in December 2012, the conservative LDP returned to power, and Prime Minister S. Abe now operates reflationary fiscal and monetary policies called Abenomics. Together with the fiscal policy to increase public work projects, monetary policy is being practiced mainly by forcing the Bank of Japan to increase supply of currency by means of buying operations so as to reduce the exchange rate of yen in favor of exporting industries, and to stimulate real estate and capital markets.

Abenomics seems now to be working to restore profitability of construction companies as well as export-oriented businesses, and is causing a bubbly boom in real estate and joint-stock exchange markets. But there remains widespread worry among people about how far it works for the actual continuing recovery of their economic life. In fact, Abenomics has cut down welfare state expenditures, plans to increase consumer tax from April 2014, and is already inducing rises of costs of living in prices of electricity, foods and other consumer goods which depend on imported energy and raw materials. It is called an economic strategy “from human beings to concrete cement.” At least it is not at all clear, or guaranteed that, Abenomics can manage successfully to revive the Japanese economy differently from the past two lost decades, where similar Keynesian policies were repeatedly practiced without success. It would go definitely with neoliberalism to promote a free competitive market, following the US model by joining in the TPP negotiation.

Thus, 21st-century models of social democracy have to be separated from neoliberal utilization of Keynesian policy devices, and restore sounder Keynesianism by remaking it “from concrete to human being” again or by shifting public spending much more into welfare and ecological policies.

At the same time, as long as 21st-century models of socialism contain market socialism and various models of combination of plan and decentralized market (or quasi-market), Keynesian fiscal and monetary policies are worth reconsidering as democratic policy devices socially to control macro-economic management there.

In this regard, Keynesian policy devices may now serve as technical tools which can be utilized in combination with various ideologies and political regimes, not confined to social democracy. Twenty-first-century models of social democracy and socialism must be conscious of this fact and deliberately try to use the Keynesian policy measures for their purposes against neoliberal usage.

2. *Green Recovery*: A group of US political economists, Pollin, Garret-Peltier, Heintz, and Sharber (2008) presented an analytical foundation for *Green Recovery: A Program to Create Good Jobs and Start Building a Low-Carbon Economy*. They

substantially contributed to the electoral victory and initial economic strategy of the Obama administration, and attracted global attention.

According to them, in view of economy of energy for a low-carbon society we should re-strengthen local production for local consumption, assist conversion of office buildings and houses to more efficient air-conditioning systems with double windows etc., re-expand public transportation systems such as railways and bus lines. At the same time public support should be much increased for various soft energy paths, and a new supply network of electric energy from variegated sources, including smart grid, should be constructed.

By shifting to such green recovery strategies, the same amount of public expenditure would create more employment in more desirable kinds of jobs in comparison to the effect of conventional state expenditure for public works. Furthermore these strategies must serve to economize energy costs for households, to stabilize and lower energy prices, and to repress global warming. They would also prompt private investment in broad eco-businesses such as sustainable solar and other soft energy supplies.

This sort of green recovery strategy is clearly essential for the 21st-century models of social democracy against neoliberalism and beyond the 20th-century model of social democracy. The Japanese eco-point system in 2009–10 under the Democratic Party government followed a similar line and was effective for economic recovery. This type of economic strategy could represent a promising way out from the failures of Keynesian fiscal and monetary emergency policies combined with neoliberal policies to revive sound economic growth and employment if it is consistently and stably pursued.

Following our disastrous experience of the huge accident at the Fukushima Daiichi nuclear power plant, triggered by the Great Earthquake and tsunami on March 11, 2011, denuclearization of energy supply should decisively form a part of a green recovery strategy for a sustainable global economic system. Most Japanese political economists, and the majority of Japanese people, are in favor of this option. However, Japanese governments have not been so decisive and have postponed the clear roadmap for denuclearization. Abenomics may even try to gradually come back to the position of allowing nuclear power business, by following the US and French policies.

Further discussion about how to treat nuclear power for our future in relation to green recovery strategies may also cause an important bifurcation among political economists in the world.

This issue is important for all of us for the future as the green recovery strategy can be not just an essential component of the 21st-century models of social democracy but surely serve as a fundamental part of the 21st-century models of socialism beyond social democracy.

3. *Basic Income*: Basic income is conceived to be a regular income which is to be supplied equally to all individual social members without a means test by their government. Every social member can rely upon this income as a foundation for his/her whole economic life, and can add to it any other income (Parijs 1995).

This idea began to gather wide academic attention in Western Europe in the 1980s. It reflects a deadlock in the 20th-century model of traditional welfare policies, as individualistic life style (such as in the case of single mothers, and single elderly persons) became widespread, and as irregular and unstable jobs were more and more generalized. The idea was supported also by important Marxian theorists as a policy device to guarantee real freedom for all in a future 21st-century model of socialist society (via 21st-century models of social democracy) against the Soviet model of socialism.

There are two streams of thought as background of contemporary arguments for basic income. One of them presumes a capitalist society so as to argue for basic income. This stream begins from T. Pain in the late 18th century, and comes down via D. Milner, J. Mead and others in the 20th century, to the recent proposals of basic income as reformation of social security system. Another stream presupposes some kinds of socialist society. This tradition starts from an American utopian novel by E. Bellamy in the late 19th century, and flows through O. Lange and, recently, J. Roemer in their models of market socialism.

It is clear that a socialist society with public ownership of land and other means of production can realize a higher level of basic income more easily than in a capitalist society. However, full basic income which is sufficient to support an ordinary economic life for individual persons cannot be realizable even in models of market socialism, not to mention capitalist societies, since it would seriously damage functions of the labor market as well as incentive for market labor.

Although Marx did not suggest any ideas for a social system of redistribution of income similar to basic income in a capitalist society, his basic thought and theories to clarify the historical character and limitation of capitalist economy can be used to support the contemporary socialist arguments for basic income. For instance, his image of a future society beyond capitalism as an “association of free individuals” is closer to the idea of basic income to achieve real freedom for all individuals rather than to the Soviet model of society. Insofar as Marx clearly recognized that the human labor process did exist broadly in pre-capitalist societies outside of market order, this recognition can easily be applied to the recognition that socially useful functions of non-market labor, such as domestic work in our societies, are worthy to be rewarded by income redistribution in the form of basic income. It is also interesting to see that an aspect of his over-accumulation crisis theory of labor-shortage type suggests a fundamental difficulty in realizing a full basic income in a capitalist society as well as in models of market socialism.

At the same time, contemporary arguments for basic income require reconsideration of some of Marx's thought and theories. In his famous critique of the Gothaer Program, Marx (1875) proposed two phases in the development of communist society. At the first, lower phase, the individual producer receives back from society an amount of means of consumption proportional to his/her labor contribution to the society. Therefore, unequal right for unequal labor must remain. Then, an ideal social relation between labor and distribution, i.e., "from each according to one's ability, to each according to his needs" can be realized only at the second, higher phase of communism, where the productive forces have increased so as to enable more abundant cooperative wealth flow. In view of this formulation, many Marxian scholars tended to assume that distribution according to needs or necessity must be a social target in the very far future. However, contemporary Marxian economists begin to be aware that distribution according to one's necessity can be at least gradually and partially realizable in the form of a social security system or its reform program as basic income.

So long as the idea of basic income proposes egalitarian redistribution of income, it also requires reconsideration on Marx's theory of skilled or complex labor. In the formulation above, Marx assumes that skilled or complex labor supplies more labor in the same time in comparison to simple labor in accord with his theory of skilled or complex labor. As I discussed elsewhere (Itoh 1988), from Marx's own more basic view of humans' common broad mental ability to perform various jobs in the labor process, labor time can be conceived as fundamentally homogeneous, commensurable as abstract human labor, and the distinction between skilled and unskilled (or between market and non-market labor) need not be treated as unequal in the same time. This recognition can be separable from the issue of value of skilled or complex labor-power, which must cover the training and educational costs of complex labor-power in an individualistic market economy. If Marx's theory of skilled or complex labor is amended to suit such a recognition, it would solve a longstanding crux in the labor theory of value, and can surely be a theoretical base closer to the egalitarian spirit of a basic income scheme.

4. *Local Currencies*: Local currencies were initiated under the strong influence of S. Gesell's arguments in the early 1930s in Germany and other European countries as well as in the USA. In Gesell's (1929) theory, the privileged character of traditional (gold or paper) money not to decay, without any carrying-over cost, unlike in the case of other commodities, enables money owners such as merchants to obtain interest as a concession in the process of exchange from other commodity owners. Upon this ground, Gesell proposed a kind of socialism to abolish interest as unearned income by a monetary reform, to realize "stamp paper money" which requires a stamp of, say, one thousandth of face value, to be stuck to the back

of each paper note every week, as a carrying-over cost of money. J. M. Keynes (1936) highly appreciated Gesell's anti-Marxian socialism as well as his liberalist spirit. Gesell has also been regarded as "Marx for anarchists."

In many schemes to set up local currencies in the early 1930s, the form of "stamp paper money" was utilized in order to mitigate the economic distress suffered under the Great Depression and to reactivate economic circulation of commodity products in local towns and communities. Such attempts were mostly successful in reducing depressive shortage of effective demand in national markets, by accelerating circulation of commodities within communities, and contributed also to mitigating the local governments' budget crises.

However, as the national economic recovery policies became strengthened toward the 20th-century model of social democracy, the central governments and central banks prohibited most local currencies from a view of unified national budgetary and monetary policies in that period.

After several decades, the second wave of upsurge of attempts to organize local currencies has spread globally in our age of continuous economic crises and restructuring since the 1970s. The number of local currencies has grown rapidly especially since the 1990s, and has reached several thousand in the world, and more than 500 in Japan.

They are largely facilitated by development of information technologies such as personal computers and mobile phones. Their forms are no longer limited to "stamp paper money," but diversified. For instance Local Exchange Trading System (LETS) schemes organize a mutual debit account system through computerized records, without issuing paper money. In most cases of recent local currencies either of LETS type or of paper money type, interest is not paid for saving or debt, following Gesell's idea. However, those that charge carrying-over costs or minus interest rate on money, such as in the case of stamp money in Gesell's model, have become rare.

At the same time, quite a number of recent local currencies intend to organize equal exchange of labor time by using labor time as a unit of account or setting the money unit proportional to labor time (say 10 dollars per one hour of labor). This idea is disconnected from Gesell's, and follows the genealogy of labor money presented by Ricardian socialists, or R. Owen. In this genealogy, abolishment of surplus value based on exploitation of surplus labor used to be a target for socialism.

Marx criticized Ricardian socialists' idea of labor money as utopian, so long as they left the anarchical capitalist system of production untouched, or the difficulty of adjustment between demand for and supply of commodities unsolved. On the other hand, he approved the feasibility of Owen's practice of labor money which was grounded on an associational social system of production.

Including Marx's such arguments on labor money, we unexpectedly encounter and have to reconsider anew a series of basic problems in labor theory of value in understanding the historical significance and relevancy of such ideas and practices of local currencies today. For instance, the issue of how to conceive equality of labor time between skilled or complex labor and unskilled simple labor behind conventional estimation in a market, as we mentioned in the argument for basic income, also arises here.

It is also interesting to reconsider why, in the globalized and financialized capitalist market economy in our age, local currencies are not prohibited but increasing as a form of grass-roots cooperative community organization alongside powerful national as well as super-national control of currencies.

Marxian political economists thus need to rethink theoretical significance and foundations for new developments in the 21st-century models of strategies for radical social democracy and socialism actually suggested through those four possibilities concerning Keynesianism: green recovery, basic income and local currency strategies.

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