NEOLIBERALISM CONTRADICTIONS AND SOCIAL CURRENCY AS AN ALTERNATIVE TOOL

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ABSTRACT

This paper will present, in general, neoliberalism as a doctrine that fosters the accumulation, and the advantages and limits of social currency as an alternative tool to the actual system. The social currency emerges as an alternative proposal to the ongoing lack of money, in the form of parallel currency issued in the private sphere and with circulation based on mutual trust, besides another fundamental features. The social currency also proposes the replacement of economy to social service purposes, with normative character. The paper will also present some experiences of using social currency nowadays. To develop this paper, it will be used bibliographical research, focusing on authors that write about social currency and neoliberalism.

Key-words: Currency, social, neoliberalism.

1. Introduction

Social currency is an instrument of participatory democracy, a form of parallel currency administered by its own users, with emission originated in the private sphere of the economy. As a mechanism of participatory democracy, it requires strong regulatory mechanisms,
transparency in management and equity in its distribution.

To social currency are assigned two main meanings: alternative means of exchange capable to produce better living conditions for membership and practice of reinventing the economy, aiming to rebuild the economy in participative ways, serving social purposes. (SOARES, 2009)

A key idea that is sheltered by social currency is to seek rescue money while complete social monetary institution, which goes beyond the current form, which has fostered arenas of power and repressing social values. Thus, social currency also seeks to unmask the power relations that underlie commercial attitudes, seeking to promote the circulation and production of goods and not speculation or any other type of sterile income. (SOARES, 2009)

As any other currency, the social currency should serve the functions of value/unit of account, means of payment and store of value. One of the advantages of social currency is that it is related to trust among its users because its acceptance is limited to this trust, also related to a participatory management of money.

Social currency is a trust instrument, ie, founded on the confidence with which it is issued. The bank check, for example, is a trust instrument. Being a currency based on trust, its value is not equal to the intrinsic, depending on the confidence of those who use it as a currency to facilitate the development of a different economy, which does not follow a capitalist logic where the money is missing in the popular sectors and has contradictory functions. (PLASENENCIA, 2007)

The context of the creation of social currency is related to the desire for existence of a supportive market in which currencies are not treasured, but exercising its function as means of circulation and as a proposal to the lack of legal tender money in the economy. The oxidizable social currency undergoes an oxidation process where ownership of the currency is penalized in some way, a concept based on the ideals formulated by Silvio Gesell in the 20s.

According to Adela Plasencia (2007), in capitalism, the hoarding can become excessive, and the social currency comes as a proposal to hoarding in the system, establishing an interruption of the flow of goods. The author follows a Marxist perspective by stating that there is no capitalist money or that a currency could be non-capitalist, but there is the capitalist use of money, and the lack of money in people's economy is chronic and is not due to hoarding, but to the logic of capitalist accumulation. According to Plasencia (2007), we can consider the existence of money in a future non-capitalist society, as alternative economies seek.

For Marx (1991), the capitalist use of money is associated with obtaining benefits and
accumulation, when people use money as capital, as a value that engenders a greater value, wherein the appropriation of this surplus privately reverts money into capital. From this, there is production of profit, enabling the capitalist to extract the amount of unpaid labor. The non-capitalist use of money would not use the money as capital, so it could be turned to a new production cycle to achieve expanded reproduction.

The owner of the money, to value his money as capital, gives it to a third party, throw it in circulation, makes it the capital goods; capital not only for himself but also for others; it is capital for one that cedes and a priori to the transferee, it is value that has the value-of-use to obtain more surplus value, profit; value that is preserved in the process and goes back, finished its role, for whom pulled it out first, in the case, the owner of the money. The money thus departs from the owner for some time, from his hands to the active capitalist; it is not given in payment or sold, but only borrowed; it is given only on the condition of returning after a certain period, to the port of departure, and even to return as capital stock, stating its value-of-use to produce surplus. (MARX, 1991, p. 397)

As an example of alternative economic proposal Plasencia (2007) cites the cooperatives, where ownership of the means of production is collective and the appropriation of surplus value also happens collectively. According to the author (2007), money is useful because the purpose of trade for meeting social needs and consumption, and not by the search for benefit, where social currency allow a system of social relations that define if money will work for another purpose.

2. Neoliberalism as a doctrine that promotes accumulation

While in the field of infrastructure, the model of flexible accumulation proceeded to guide the economic relationships between factors of production, on the superstructure the neoliberal ideology guided the political discussions from the 80's, being the main factor for the consolidation of new structures of power relationship. The study of these relations and neoliberalism as a doctrine followed by the great centers is interesting to understand the current financial system and the possibility of alternative currencies, relating to the logic of capitalist accumulation criticized by Plasencia previously.

Even before the election of Reagan in 1980, Paul Volcker became chairman of the Central Bank of the United States in 1979 and began implementing policies to curb the power of labor, deregulate industry, agriculture and extractive industries, as well as release the powers of finance both internally and externally. (HARVEY, 2008, p. 11)

These new changes only occurred because of a new economic configuration, which
allowed the emergence of new means and resources: globalization. Globalization is a term coined to describe the new configuration of contemporary capitalism, born of deregulation and liberalization, a trend with which all actors in the international system would have to deal with and settle. (CHESNAIS, 1998, p. 24)

With these resources and a centralized thinking of the state, Thatcher and Volcker began a doctrine that became the central guideline of thought and economic administration: the neoliberalism.

David Harvey defines neoliberalism as:

(...) A theory of political economic practices that proposes that human well-being can best be promoted freeing up individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The state's role is to create and preserve an institutional framework conducive to such practices; the state has to ensure, for example, the quality and integrity of money. It also should establish legal structures and military functions, defense and police required to secure individual property rights and to ensure, by force if necessary, the proper functioning of markets. (HARVEY, 2008, p. 12)

Besides, state interventions should be minimal to ensure the full functioning self-management of markets, because the state does not contain the necessary information to understand the signs of the markets. The result was the withdrawal of the state from many areas of social welfare and the increasing deregulation and privatization of state enterprises.

Neoliberalism then went on to become the dominant ideology of hegemonic manner and provided what Harvey called "creative destruction" as reformulated various social structures, including the international division of labor. (HARVEY, 2008, p. 13)

To start the expansion and dissemination of neoliberal thinking, concepts and values of individual freedom and human dignity were used as central values of civilization. These concepts are considered valuable and deeply moving, and were the main drivers of force to dissident movements in Eastern Europe and the student movements of 1968. Few years later, this language was incorporated into the National Defense Strategy of the United States. (HARVEY, 2008)

This language of individual freedoms is the main argument for freedom of market and trade where the State shall have the task of creating favorable conditions for profitable accumulation for both internal and external capitalists. These freedoms incorporated by the state aim to benefit the owners of private property, of corporations and of finance capital in which this state is called "neoliberal state". (Harvey, 2008, p. 17)

The first experience with a neoliberal model took place in Chile after the Pinochet coup
against the government of Salvador Allende, promoted and sponsored by the U.S. through strategic agencies such as CIA. Despite the immediate benefits of restructuring based on the neoliberal state, in 1982, with the Debt Crisis, ideological assumptions of neoliberalism distanced themselves from practice, but provided useful data for the implementation of reforms in the U.S. and in England in the 80s.

While the U.S. imperial power to disseminate and encourage the implementation of reforms in different parts of the world is very strong, the "uneven geographical development" seems to be much more complex, with different types of reforms in different geographic areas. (HARVEY, 2008, p. 19)

In the late 60s, several crises began to burst. The serious crisis of accumulation plus the phase of stagflation of the 70s brought about a growing pressure on the fixed exchange rate that ended up being abandoned in 1971. During the 70s, many alternatives have been proposed to overcome these crises that affected all through the combination of rising unemployment and accelerating inflation, but only at the end of the decade the proposals for liberalization of financial and speculative capital have gone to the foreground. Thus, the proposals for liberalization reached the full expansion phase in 1990, with the Washington Consensus. (HARVEY, 2008)

However, the Chilean experiment demonstrated that the wave of privatization undermined the benefits of accumulation, generating a considerable social unrest. However, "redistributive effects and an increasing social inequality have been so persistent features of neoliberalism in fact that they can be considered structural in relation to the project as a whole". (HARVEY, 2008, p. 26-27)

From the beginning, the project consisted of the restoration of class power and inevitably implied concentration of wealth and power, through the mechanisms of the free market and privatization, which alone are responsible for this segregation. There is also a growing increase of social inequality, especially from the 80's. On this, Harvey says: “The income gap between the 20% of the world population living in the richest countries and 20% of the world population living in the poorest countries was 74 to 1 in 1977, coming from 60 to 1 in 1990 and 30 to 1 in 1960.” (HARVEY, 2008, p. 27).

It is possible to understand the neoliberal project in two fields: political; restoration of conditions for capital accumulation and restoration of class power; and utopian; reorganization of international capitalism. In the latter, the project was not very effective, but had great success at first, both reestablishing the power of classes lost during the crises of previous
decades, and creating a class power as in the case of China and Russia.

The "neoliberal turn" began with the use of arguments of the classical theory as the "invisible hand" and autoregulation of markets, but had strong opposition to intervenor State, because their decisions were doomed, because their information was not complete in relation to the capitalists.

Este fato revela uma grande contradição entre a teoria e a prática neoliberal, que só obteve respeitabilidade no meio acadêmico em 1974, quando Friedman e Hayek ganharam o prêmio Nobel, e as variedades monetárias do neoliberalismo passaram a ter rápida expressão e aplicação ainda no governo Carter na mesma década. Apesar disso, a consolidação do neoliberalismo deu-se somente nos anos 80 com o apoio irrestrito dos Estados Unidos e da Inglaterra. (HARVEY, 2008)

This fact reveals a major contradiction between neoliberal theory and practice, which only had respectability in academia in 1974, when Friedman and Hayek won the Nobel Prize. Besides, the monetary varieties of neoliberalism had bigger expression and rapid application still in the Carter administration in the same decade. Nevertheless, the consolidation of neoliberalism occurred only in the 80s with the full support of the United States and England.¹

Added to this, the deregulation of various economic sectors, as well as the liberalization of financial capital, the deindustrialization and the externalization of production were important factors for its implementation.

One of the first tests of neoliberalism was the mexican debt moratorium between 1982 and 1984, after considering the possibility of withdrawing support to the International Monetary Fund - IMF - oldest institution of Bretton Woods - the Reagan administration sought to purge Keynesian influences of the institution and accept bearing debt in exchange for neoliberal reforms. Thus, the IMF suffered structural adjustments and started to play a new role within the international system, although the assistance by the industrialized and developing countries was already in decline since the 70's. (FIORI, 1999)

With all these changes, there was a clear rise of a high class and of its high power to influence political processes. Nevertheless, neoliberalization did not mean the restoration of economic power to the same people, because there was also a shift of production factors.

Financial speculation gained strength, and the values of shares and profits provided of the stock business became far more profitable than those earned by production. Thus, the new

¹ This policy of high interest rates became known as the Volcker shock. However, this policy alone was not sufficient to promote the neoliberal reforms.
guidance increasingly financial of large corporations in the '80s was gradually consolidating, with big corporations operating in various sectors, reflecting the strong expansion of power in the financial world. This growing number of financial services and the "financialization of everything" guided the state to have as a central concern the health of the system and the financial system with its institutions. (HARVEY, 2008, p. 40-42)

With this financial expansion and the participation of large conglomerates in the financial market, the restoration of class power was given mainly by great managers and directors of these companies, and the emergence of a new upper class who made fortune with new technologies such as biotechnology and computer technologies; an upper class that is now characterized by transnational common interests accentuated during this neoliberal globalization, but soon realized how to extract payoffs of this transnationality exerting influence on various global issues. The result was a massive concentration of corporate power in the energy sector, communications, pharmaceutical, retail and transport. (HARVEY, 2008)

The expansion of scholarship on neoliberal theories was also encouraged, including as a way of contradiction to Keynesian predecessor training as well as the recasting of the financial administrative apparatus, replacing Keynesian and pro-labor and instructed by qualified personnel according to neoliberal dictates.

Despite the uneven process of construction of consent in the U.S. and in England, Harvey emphasizes the character of cohesion and deepening of neoliberal reforms and how these conditioned only subsequent governments:

The alliance of forces they helped consolidate and majorities who led become a legacy that subsequent generation of political leaders found it difficult to dislodge. Perhaps the biggest testament to its success lies in the fact that both Clinton and Blair have seen the same but in a situation where the margin for maneuver was so limited that left them no alternative but to keep the process of restoration of class power, though they best instincts had been thwarted. (HARVEY, 2008, p. 72)

With the reform started, and its irreversible character, then was left the recasting of institutions and the role of the state to the consolidation of neoliberalism. For Furtado, the expansion of the state in the areas of infrastructure and service is parallel to reduction of its regulatory activity and driving economic activities as a whole. (FURTADO, 1978, p 89).

The neoliberal state should then ensure individual private property rights, the rule of law and the institutions of free functioning markets and free trade. Contracts and individual freedom of action and choice of expression rights must also be protected, as well as the promotion of technologies and intellectual property rights. (HARVEY, 2008, p.75)
In addition to these guarantees, the various sectors of the economy should be deregulated and released, except those deemed of national interest. Privatization, deregulation and competition would allow the elimination of bureaucratic barriers, and the free movement of capital is crucial to the expansion of neoliberalism and the success of its implementation.

The contradictions are diverse, and some authors have advocated Chesnais’ fight against the globalization of neoliberalism. However, for starting this battle, it is necessary to assume its status as fully constituted regime of accumulation, which is also a form of imperialism. (CHESNAIS, 1978)

However, there are contradictions in these tasks. The competition, for example, inevitably tends to result in monopoly or oligopoly as large companies with greater access to information and resources go driving out smaller ones from the market. Although the abstract theory of capitalism refers to the ideals of competition, capitalists covet monopoly powers because they provide security, calculability and a generally more peaceful existence. (HARVEY, 2004)

Other contradictory aspects of neoliberalism are reflected primarily in the rise of corporate interests ahead collective interests of social welfare. For this, the state seems to encourage and promote the interests of the privileged related to large corporations, either through public-private partnerships, or through coercion.

While the state is far from the social functions, there is an expansion of non-governmental organizations - NGOs and Third Sector Organizations – TSO, seeking to remedy the deficiency of the State in the providence of welfare.

3. Limits and experiences of social currency as an alternative in the contemporaneity

One of the ideas of Silvio Gesell brought by Plasencia (2007) is that to resolve contradictions between the monetary functions, such as the lack of return of money to the production cycle, the accumulation penalty is an option. The reform proposed by Gesell had the following characteristics: penalize hoarding, to seal banknotes in circulation to add costs to owners and apply tax to idle money, besides the adoption of basic interest rate of zero.

However, one of the contradictions of Gesell's Reform is that his monetary reform has macroeconomic scale and when historical and current experiences are observed with oxidizable currencies, we see that social currencies do not have a store of value. In addition, in small-scale oxidizable money is perfectly possible, but on a larger scale it is necessary to face the
structures of monetary regulation of hegemonic power. (PLASENCIA, 2007)

Beyond the limitations of Gesell's Reform observed by Plasencia, Claudia Soares states that social currency suffers from the inherent fragility of breaking with a long tradition or routine, as the national money that is an institution which is already embedded in the social imaginary, with strong resistance to new models. By demanding trust, transparency and maturity, social currency increases the demand for ethical attitude of the participants involved in a degree even able to dispense state intervention, negating the extra-institutional support. (SOARES, 2009, p. 257)

Thus, one of the limits of social currency is the need of the currency be linked to other institutions or groups of homogeneous users that share an ideology that works as a tool to discourage fraud.

Another limit set by Claudia Soares (2009) is related to convenience, because in the contemporary scenario, adopting different currency than the national currency is to be subject to pay a price for insubordination and the exercise of a non-dominant will.

Plasencia (2007) reports some contemporary experiences of monetary oxidation such as printing notes sealed in Reichmark backed issuance in Germany; notes matured at the end of the month in Austria, where people had to paid to get them back; replacing the substituititon of the entire circulating money for new notes and even complete destruction of the circulating money at the end of a period of time in Argentina.

Claudia Soares (2009) also highlights the experience that has occurred in the social currency exchange clubs, particularly in Latin America, which operate through physical issue bonus. In the article "The process of building an exchange club and its function as a catalyst to promote the new solidarity economic enterprises", published by the authors, Leonardo Magalhães, Adriano Pereira and Mariana Pereira, there is a broad reflection on the exchange groups with social currency, proposing sustainable practices, under a economic, social and environmental perspective, exploring in this case the social currency "coffee" used in Viçosa, Minas Gerais.

According to the authors, since 1995 the first exchange club begin operating in Latin America, and in that time the exchanges were the primary means of acquiring property by several families, especially in Argentina, with corralito. The implementation of the trade club "Living and Learning" is another example brought by the authors, a club in São Paulo developed by ITCP/USP. In this group, the use of "future" currency enables the existence of a medium of exchange that links people with the capacity to produce something or provide
services and with consumption needs.

The experience of microcredit and popular banks is also presented by the authors (2008), and Brazil's best known popular bank is Banco Palmas in Palmeiras, Fortaleza.

In 1998, the Association of Residents of the “Conjunto” created the People's Bank of Conjunto Palmeira - the PALM$ - whose core philosophy is geared towards a solidarity network of local production and consumption. The bank established in the community a monetary circuit of production and consumption, with a line of productive microcredit and other for those who want to consume the products of the neighborhood. In this sense, they created a popular credit card, used only in the community, encouraging families to consume in local trade. In addition, the bank has created several instruments of fair trade, such as a fair of local producers of Palmas Bank and a supportive store. They also use an exchange club with social currency, in which are marketed the products and services that are not sold at the fair and at the supportive. For this circle to exist and function properly, it is necessary that the goods offered are the most essential to the consumer population. (LEITE; CASTRO, 2008, p 4.)

Thus, the bank seems to contribute to the economy exposed by the proposed alternative social currency exposed at the beginning of the paper, supporting the creation of community enterprises and occupying vacant spaces in supply chains, appearing as critical to the community. Thus, residents of certain locality starts to consume locally, depending less of the capitalist market, expanding the local network and strengthening local production companies to diversify their products. Boosting local production and consumption, social currency seems an interesting offer to communities. (JOAQUIM; MAGALHÃES, 2002)

Besides the exchange clubs, another modality that involves social currency are networks of mutual compensation, which occur when "a group of persons or companies shall meet in order to realize the exchange of goods and services by a unit of account established by group. " (SOARES, 2009, p. 256)

Thus, there is a proper use of accounting that develops the circulating medium of the group, common in Europe and North America.

The LETS system or SELs, as it is known in France, is an example of this form of action, as well as the WIR system, which was born in Zurich, Switzerland in 1934 (…) The time banks, created in Italy in the early 1990s, and concentrated in larger numbers in Europe, particularly Italy, Spain and Portugal, there may also be included. It is evident that all these experiences should respect the basic mechanics of a social currency: working with a restricted general equivalent of circulation without any ballast than the expected continuity and confidence at work and in traded goods, with participative management on the group scale. (SOARES, 2009, p. 256)

4. Concluding remarks
Experiments with social currency allow a reflection on the current monetary institutions, on the neoliberal policies and the hierarchy of power of these institutions, that dispute for hegemony in the international financial system. The use of social currency is an alternative of the reorganization of the economy and the social division of power, implementing responsibilities to be used and strengthening networks of mutual trust among its users.

Another potential of the social currency is the ability to promote dialogue on ethics and standards development, expanding the opportunities for discussion in society, towards an alternative economy that meets the ethical and social imperatives and develop social solidarity.

The social currency comes as a new economic paradigm that can enable integration between various communities and enterprises. At the local level, it is simpler visualize the functioning of social currency, but that does not mean that in the level of a State or externally is impossible to imagine the social currency or the consolidation of other alternatives like exchange clubs, popular banks or cooperatives.

The potential of social currency for economical, financial and political systems are numerous, being a viable alternative to be followed in a model of development that do not follow staunchly neoliberal policies, and seek a more cohesive and inclusive economy alternative, which does not hold the money and the chances of the people.

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