Local Trade and Exchange/Employment Systems (LETS) in Future Eco-sustainable Societies

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Abstract: All communities of practice must face questions relating to the material economic foundations of future sustainable societies. David Graeber, Karl Polanyi and Karl Marx each have produced typologies of possible types of economy, synthesised as: (1) the principle of individual reciprocity, (2) the market principle of capitalism, and (3) the planning principle of the state. I apply this synthesis to recent proposals for community change advanced by Bill McKibben and David Korten concerning economic scale and the re-localising of production and consumption sundered by globalisation, focused on the local exchange and trading system (LETS). The operationalising of LETS draws upon Adam Smith’s view of markets as face-to-face exchanges of goods taking place in small morality-bound communities. Smith, McKibben and Korten conflate two different meanings of the term ‘exchange’. To understand the role LETS may play in future sustainable economies in communities of practice demands treatment of this problem.

Keywords: community, economy, eco-sustainability, local exchange and trading systems, markets, sustainable societies

Introduction

Mainstream Green thinking on eco-sustainable social change subdivides into two broad genres. One holds that eco-sustainability can be wrung out of the current economy by making prices sensitive to ecological costs (Speth 2009). This view is often paired with arguments for ‘degrowth’ which maintain eco-sanity will be realised if the current economy is run in a ‘steady-state’ (Heinberg 2011). The second calls for more substantive change involving a global transition towards reduced economic scale or ‘small’, ‘local’ economies. Well-known proponents of the latter position include Bill McKibben (2007) and David Korten (2009).

This article accepts with McKibben and Korten that scale matters and averting dire impacts of climate change or transgressing environmental, ‘planetary boundaries’ (Rockström et al. 2009) demands we ‘split things up’ (to paraphrase McKibben 2011: 146–7).

However, where the Green view, as such, miscarries, is in the claim, as stated by McKibben (2007: 2), that ‘[s]hifting our focus to local economies will not mean abandoning Adam Smith or doing away with markets’. Rather, McKibben continues (2007: 125) ‘we may be able to re-create some of the institutions that marked, say, Adam Smith’s Britain’. Similarly, David Korten (2009: 2) asserts: ‘Ironically, it turns out that the solution to a failed [Wall Street] capitalist economy is a real-market economy much in line with the true vision of Adam Smith’. Smith, Korten proclaims, ‘envisioned a world of local-market economies populated by small entrepreneurs, artisans, family farmers with strong community roots, engaged in producing and exchanging goods to meet the needs of themselves and their neighbours’ (2009: 119).

As will be treated below, the article does not dismiss the role market operations and calculations might contribute to a sustainable future. However, grasping how market workings might be incorporated in even
local economies is by no means as straightforward as McKibben and Korten assume. What this article argues is that, following Smith, McKibben and Korten conflating two very different meanings of ‘exchange’. This conflation leads McKibben and Korten to the position that it is possible to decouple the ‘market economy’ per se from capitalism. Drawing upon work of anthropologist David Graeber, economic historian Karl Polanyi and political economist Karl Marx, it will be shown that ‘exchange’ across the precapitalist era was always of the face-to-face kind, entailed the ‘exchange’ of goods based on their qualitative, useful properties and imbricates in interpersonal social relations of various sorts. Exchange in the capitalist ‘market economy’, on the other hand, is predicated upon impersonal exchange of goods as value objects where sensuous, qualitative aspects of goods are suppressed to enable quantitative differentiation of goods in terms of market prices. The article concludes that if future small-scale eco-sustainable economies come to pass, to the extent market ‘exchange’ activities are utilised in them, the forms exchanges assume will be as local exchange/employment and trading systems (LETS). Exchange will necessarily be face-to-face or interpersonal, and function more akin to sharing rather than the impersonal, so-called ‘invisible hand’-operated exchanges theorised by Adam Smith.

**Historical Principles of Economy**

Copious studies of economic history by David Graeber and Karl Polanyi yield similar conclusions. Graeber, for his part, pillories Adam Smith’s ‘myth of barter’ which imputes to an unspecified society in a ‘state of nature’ the mechanisms of market ‘exchange’ akin to Smith’s eighteenth-century English village (Graeber 2012: Chapter 2). Polanyi, on the other hand, refers to the ‘economistic fallacy’ as the Smithian ‘error’ imbibed by neoclassical economics of ‘equating the human economy in general with its market form’ (Polanyi 1977: 6). In making their case for the historical specificity of capitalism, both Graeber and Polanyi are driven to elaborate typologies of economic principles other than that of the market principle of capitalism.

Let us begin with Polanyi. Polanyi’s hugely important intervention in debates over economic history is his point that prior to the dawn of the capitalist era it was inconceivable to refer to such a thing as an ‘economy’ separate from ensembles of social practices – religion, culture, politics, ideology and so forth – with which economic life was enmeshed. And that it is only in the capitalist era that the economy tends to ‘dis-embed’ from the social as such. Polanyi then refers to economic relations as they imbricate with the broad spectrum of precapitalist social practices in terms of two key principles of economy: reciprocity and redistribution. The former encompasses a wide gamut of activities engaged in by the most primitive societies involving some variant or degree of sharing or cooperation, including things like gift giving and ‘give-and-take’ in the context of kinship relations or customary/communal practices, along with what may be understood as small-m markets. The latter involve one-off ‘exchanges’ of goods according to their qualitative properties. Redistribution, on the other hand, occurs in more advanced, geospatially larger-scale precapitalist societies and entails the movement of goods, tribute, taxes, tithes and so forth towards the ‘centre’ and their reallocation according to interpersonal relations of domination and subordination of various kinds and the ‘status’ of layered social sectors (Polanyi 1957: Chapter 4).

David Graeber seeks to distinguish economic principles according to the ‘moral grounds’ that underpin them. He sets out baseline communism as his first. We are all essentially communists at a fundamental level, Graeber opines, as in offering a stranger a light without expecting anything in return. We are also predisposed to supporting others in the aftermath of a natural disaster. To the extent people do not perceive themselves as enemies, Graeber asseverates, Marx’s principle of socialist distribution set out in his *Critique of the Gotha Program* – ‘from each according to their abilities, to each according to their needs’ – exists as a foundational norm of human sociality. The same logic that holds among individuals is then extended within groups: And from there to management of common resources. Graeber sees baseline communism diverging from Polanyi’s reciprocity except ‘reciprocity in the broadest sense’ (given that there is no compulsion communistic ‘giving’ will be reciprocated). Next, for Graeber, are relations of hierarchy involving unequal parties. Charting this on a continuum, Graeber sees plunder and theft at one end, selfless charity at the other. Graeber observes how hierarchy often crystallises in social relations of superiority and inferiority that are regulated through webs of custom or habit. Finally, Graeber sets out two principles of exchange. What we may refer to as ‘exchange 1’ is the sort of exchange that imbricates in interpersonal relations such as gift giving, where comparing the ‘value’ of goods exchanged does not occur. Graeber follows up: ‘Nor did anyone ever consider making such a calculation’. Then there is ‘exchange 2’ or ‘commercial exchange’ as Graeber puts it, which is impersonal and concerned
with ‘equivalence’; although, for Graeber, non-commercial exchange, gift giving, tit-for-tat ‘games’ and so on grey into barter in a fashion somewhat akin to Polanyi’s notion of a small-m market activity (Graeber 2012: 102–13).

Differing from Graeber and Polanyi, Karl Marx does not offer commensurate detailed historical accounts of economic practices to back up his carving human history into grand epochs or ‘modes of production’ (each marked by a specific configuring of social class relations) – primitive communism, slavery, feudalism, capitalism, with socialism nigh as Marx’s saw things at the end of his life (Marx 1859 [2015]). Nevertheless, Marx’s far deeper elaboration upon the workings of the capitalist economy combined with a mastery of the available economic history literature of his day led him to a similar position on precapitalist economies as later work by them. Certainly one of Marx’s most important corroborative insights here is his recognition that economic forms like money, wages, even profits, existed at various junctures across the sweep of precapitalist history, but the economic impact of such forms was always exogenous to the specific modalities by which human beings reproduced their livelihoods in early societies. And these modalities, according to Marx, were always characterised by the interpersonal relations of the sort captured in the more refined typologies above.

Set out below is the Marx–Polanyi,2 Marx–Graeber correspondence.

![Figure 1: The Karl Marx–Karl Polanyi Correspondence](image1)

![Figure 2: The Karl Marx–David Graeber Correspondence](image2)
Further, in Part 1 of the first volume of his Capital, Marx notes that to the extent impersonal exchange of goods is found in the ancient world, it occurs at the borders of separate communities ([1867] 2015). A clear example of the practice by which communities sought to ensure their internal interpersonal socioeconomic relations were never infiltrated by such ‘trading’ activity is the creation by the Tokugawa Shogunate in 1634 of Dejima, or ‘protruding island’, in the bay of Nagasaki to accommodate first Portuguese then Dutch merchants. Neither was permitted to cross into Nagasaki. In effect, Dejima maintained a firewall separating discrete socioeconomic relations of Tokugawa Japan from that of merchant practices of other lands.

However, Marx goes on to show that as market activities do begin to penetrate precapitalist economies and eventually subsume them they effect changes that Smith’s conceptualisation of ‘barter’ or ‘exchange’ cannot adequately grasp. The root of the problem Marx argues is the Smithian conflation of value in use (where goods are differentiated according to their discrete qualities) with value in exchange (where things are differentiated numerically or quantitatively in abstraction from their qualitative heterogeneity). Within the ambit of precapitalist social relations of hierarchy and baseline communism in Graeber’s terms, reciprocity and redistribution in Polanyi’s, or primitive communism, slavery and feudalism in Marx’s, the incidence of goods taking the form of a commodity (C), a good actually produced for impersonal market exchange, is rare. More likely, it is goods produced in surplus of community or personal need that incidentally assume the form of a commodity to be traded. Even here, the resulting impersonal exchange of commodities, schematised as C-C is generally a one-off affair. Even if we assume that there exists no immediate coincidence of wants between parties in a precapitalist ‘market’ of sorts, and money (M) of some form is used to mediate the exchange C-M-C, its purpose remains ‘use value’ need where the heterogeneous qualities of the goods to be consumed are foremost in mind of each party. And C-M-C ends exactly where it started – with C. There exists no possibility for an ‘invisible hand’ here to enter the equation and make society ‘better off’, at least in any quantitative, objectively measurable fashion.

Indeed, we would also have to question how such a society materially reproduces itself even in a potential ‘steady-state’. After all, in a local economy composed of presumably self-employed ‘small entrepreneurs, artisans, family farmers’ (as Korten sees it), there exists virtually no elasticity of labour supply given how each self-employed operator is tied to a concrete-specific use value skill. As McKibben and Korten leave no space for ex ante economic decision-making in their local community model, with each self-employed economic actor pursuing their own self-seeking proclivities a-la-Adam Smith, whether in the end each individual decision on the what, how and how much of production is valid in any ‘community’ sense, is only established ex post. Because each C-M-C is simply a one-off exchange, by the time all the wants worked their way through the division of labour based on self-employed artisans, and the realisation dawned that so many wants were unsatisfied, there would be no social basis for ‘efficiently’ adjusting supply to demand, therefore ensuring that the society was mired in shortages. To take an example on the supply side of C-M-C, the historical record of early modern European transition to capitalism with its loosening of feudal interpersonal bonds is replete with accounts bemoaning the ethic of artisans or pre-industrial craft workers who having worked enough to satisfy their own needs simply went on vacation (Duplessis 2004: 262–6). And, in the end, any society unable to allocate basic goods to meet shifting patterns of social demand will die out.

The Historical Specificity of Capitalism

In the section of Capital cited above, Marx offered rudiments of his understanding of the specific modus operandi of the capitalist market. The approach Marx took opened a new world for us. Beginning with consumption and consumer preferences as did Smith and his neoclassical followers might tell us something about precapitalist barter (to the extent it ever existed in the degree claimed). But it tells us little about capitalism, a society where, paradigmatically, goods take the form of commodities and are produced specifically for the market. Rather, Marx’s theorisation starts with the seller, and initiator of all ‘exchanges’, for the owner of the commodity C is interested not in its use value or consumption (otherwise the owner would not be going to the market), but in its value or ‘moneyness’. Money emerges as the social connector in capitalist society because it can purchase any commodity without qualitative use value restrictions. We can point out here, as an aside, that it is precisely the ‘tension’ inhering in the commodity between its concrete-specific, qualitative attributes as a use value and its abstract-general, quantitative property of ‘moneyness’, or value, from which Marx developed the basic categories of the capitalist commodity economy in his economic theory (Westra 2012/13).
Returning to the issue at hand, Marx schematised exchange in the capitalist market economy as M-C-M’. M-C-M’ captures the specificity of capitalism as a society of generalised commercial exchange where goods paradigmatically take the form of commodities and exchange is no longer a one-off affair. Each purchase and sale has benefit maximisation, as expressed in M’, as its goal. In Adam Smith’s iconic words: ‘It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest’ (Smith [1776] 2015: Book 1 Chapter 2). Indeed, looking at capitalist market workings from the perspective of the seller, interested in M’, we can well understand why the social goal of capitalist society as a whole – profit-making or augmenting value – is abstract and quantitative. And here resides the deal with the devil that McKibben and Korten unwittingly made with their position that the capitalist market can be decoupled from capitalism.

First, operations of the capitalist market where economic decisions in society are made on the basis of quantitative price signals does overcome the bottleneck of inelastic labour supply adverted to above. But it does so at a social cost. That cost is the rendering of the human power to labour, or labour power, itself a commodity. Market ‘efficiency’ in allocating resources stems from the fact that workers, divested of means of production and livelihood (having in their possession neither the tools of Korten’s ‘artisans’ nor property of his ‘small entrepreneur’ or ‘farmer’), make their labour power available in the market to be applied to the production of any good in response to shifting patterns of social demand and opportunities for profit-making. Remember, Smith’s iconic words quoted above advert to the ex post nature of the ‘market economy’. It is this feature as well as that McKibben and Korten lauded in their call for not ‘abandoning’ Smith. Smith’s writing antedated the industrial revolution and formation of its urban proletariat. But, as eminent historian Christopher Hill showed, the real world example Smith could draw upon where ‘self-interest’ actually made everyone ‘better off’ was not the interaction among ‘baker’ and ‘butcher’ in his village. Rather it was when greedy landlords and capitalist farmers, hiring labour displaced by the loosening of feudal bonds, fostered a range of improvements to increase profits while lowering the price of food across Britain (Hill 1969: 147ff). Of course, the industrial revolution and urbanisation would not have been possible without this transformation. But we have to be clear on the economic principle responsible for it.

Second, the very act on the part of the seller in M-C-M’ of bringing the commodity to market, reflecting the interest of the seller not in the use value of the good but in its ‘moneyness’ or value, fosters an indifference to use value or the sensuous, qualitative properties of goods. This indifference inhering in exchange as it occurs at the most fundamental level of the capitalist market has ramifications which reverberate through the ‘market economy’ as a whole. For workers hired by business to produce any good according to shifting patterns of social demand and opportunities for profit-making, the ‘market economy’ fosters a disinterest in the outcome of their activity leading to the regular production of noxious and dangerous goods with potential to destroy life on the planet itself. The worker as consumer similarly manifests a studied indifference to the modalities and wherewithal of the producing of goods with both deleterious environmental and human consequences.

Finally, the indifference to use value which is part and parcel of the price mechanism that tethers human economic decisions to quantitative criteria means that in the most substantive sense, the market economy will always reproduce human economic life and satisfy human use value need as a byproduct of profit-making or value augmentation as captured by M’.

Eco-sustainable Human Communities of the Future

McKibben and Korten certainly struck a resonating chord with their claim that future eco-sustainable societies built around small, local economies need not abandon Adam Smith and the ‘market economy’. Economy-wide ex ante economic decision-making, as embodied in Soviet-style planning, proved disastrous on numerous levels. Anarchists, who had been kindred spirits of socialists at the outset, broke with socialists over socialist determination to institute central planning of all facets of economic life from commanding heights of the state. Anarchist belief in the need for interpersonal sharing, mutual aid, even small-m markets, in line with Polanyi’s conceptualisation of reciprocity proved justified even in the Soviet context. As James C. Scott suggested, without elements of the foregoing, including ‘grey markets, bartering and [other] ... informal practices’, it is not clear how the Soviet Union would have survived under its regime of state-managed collectivised agriculture (Scott 1998: 203–4). Today, in a similar vein, it is no historical accident that we are witnessing a surplus of coops, community currencies, grassroots organisations and local exchange/employment and trading systems (LETS), proliferate across the neoliberal decades. LETS, in par-
ticular, spawned from the 1980s, instructively most in developed economies (Westra 2011: 532).

What is important to grasp about LETS is that the ‘money’ it utilises operates with only one of the functions of money in the capitalist ‘market economy’ – money as means of exchange – excluding the second and third functions respectively, money as measure of value and money as store of value. This anchors value in use and ‘exchange’ as an act where parties are interested in the heterogeneous qualities of goods. Unfortunately, even if we assume that LETS of one kind or another is adopted by communities predisposed to sharing and so forth, its market ‘exchange’ activities will not realise the notion of Smithian exchange idealised by McKibben and Korten. Nor will LETS on its own be able completely to surmount the inelasticity of labour-supply problem of the economy of ‘small entrepreneurs, artisans, family farmers’, touched on above, with only ex post economic decision-making. Even advocates of LETS often do not appreciate what is at stake here (Greco 2009).

Both Graeber and Polanyi claimed that across the divergent really existing historical human economies, no single economic principle – reciprocity, baseline communism or redistribution or hierarchy or ‘market economy’, commercial exchange – is able to reproduce material life on its own. Marx, for his part, argued how in all forms of society one economic principle ‘predominates’, with its specific relations assigning ‘rank and influence’ to other principles (Marx [1857] 2015). Meeting the challenges of the future will require an ‘uncommon nimbleness’ to quote McKibben (2011: 147). Hence, my position falls in between that of McKibben/Korten and Marx.

As elaborated in greater detail elsewhere, the argument quite simply is that such nimbleness in communities of practice will be given life by organisational forms that combine economic principles not for ideological reasons but to enhance human flourishing (Westra 2014: Chapter 6). Variants of reciprocity (in the broadest sense) and baseline communism including LETS of different sorts and involving sharing, mutual aid, small-m markets and other community economic activities long advocated by anarchists must certainly form the mainstay of rich, eco-sustainable community material life. But, redistribution will need to be applied by communities to ensure basic goods are produced in correct amounts and quality to meet social demand. Similarly, to build progressive communities necessitates redistributive practices in relation to things like education, health care, provision of services to youth, the aged, the physically challenged and so forth, though a balance may be found here between community service need ‘exchanges’ and redistribution. However, put succinctly, there is no escaping ex ante decision-making in our economic life.

And what is wrong with that? After all, as even Marx recognised, capitalism with its ‘market economy’ played an important progressive role in human history, freeing human beings from the yoke of interpersonal relations of domination and subordination characteristic of class societies antedating capitalism. Economic freedoms as such became the foundation for the political freedoms around which constitutional democracies formed. But capitalist democracies maintain one last human non-freedom. This is the view propagated since Adam Smith and crystallised in theories lauding ex post decision-making in economic life: that human beings can never consciously manage their material affairs but, rather, are destined in perpetuity to simply ‘react’ or ‘conform’ to the outcomes of blind economic forces as if the latter were an extra-human force of nature. Marx referred to this world as the ‘kingdom of necessity’. On the other hand, the ‘kingdom of freedom’ arises when human beings ask some simple questions such as: What are we doing in our economic lives? Should we keep doing what we are doing? And, if not, what options do we have to make changes? This article shows that human beings do have choices in a set of economic principles that have proved their historical viability and now await human deployment in making progressive eco-sustainable societies of the future.

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Notes

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2. Polanyi himself never made the connection between redistribution as he saw it and the workings of the economy in the Soviet experiment with socialism. An argument can be made, however, that not only did the Soviet economy engage redistribution as its core economic mechanism, but it bound society in relations of domination and subordination akin to that of precapitalist societies (Westra 2011: 521–4).

3. Quite simply, in the debate between proponents of ‘the market’ as the central principle of economy and those supportive of ‘the state’ as occurred over the Soviet experiment with socialism, ex ante decision-making refers to planning in advance. It has always been inveighed against by market proponents as cumbersome and insensitive to varied, conflicting interests marking modern, complex societies. Ex post refers to the after-the-fact fashion by which ‘the market’ purportedly adjudicates among varied conflicting interests through its price mechanism without the ‘visible’, interpersonal hand of government planners.

4. Of course, ‘consumption’ takes place in capitalist economies. But the prime activity of capitalism and the metric upon which economic decisions are predicted is profit-making as reflected in M’.

References


