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Reconsideration of Gesell's Critique of Marx's Capital Theory

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Abstract

It is commonly believed that Gesell was one of the originators of modern local currency. In addition, his concepts of anarchy have been well accepted. These concepts were, in particular, money-capital theory and individual anarchist socialism, or 'market-centred socialism'. They involved criticism of Marxist capital theory. This paper reconsiders the capital theory debate between Gesell and Marx. To this end, it reviews Gesell's understanding about Marx's theory of capital in his most controversial works, namely *Natural Economic Order* (1920, 4th ed.) and *Die Ausbeutung, ihre Ursachen und ihre Bekämpfung* [*Exploitation, its Causes and its Struggle*] (1922). Gesell summarised three misconceptions of Marx's theory. First, whereas Marx defined the concept of capital as 'real capital' (the means of production), Gesell was of the view that 'real capital' was not capital but money-capital or interest-bearing capital. Second, while Marx assumed equitable exchange between money and commodities, Gesell believed this exchange to be unequal. Third, Marx viewed labour power as a commodity but Gesell defined it as a labour product. It seems clear that Gesell's critique of Marx has been overlooked amid confusion about the debate. This paper reconsiders the significance of the debate and why Gesell's concept has been accepted under financialisation.

Keywords

local currency, anarchism, surplus value, exploitation, basic interest, money-capital theory

I Background of the Study

The name of Silvio Gesell (1862–1930) was almost unheard of during the 1980s but has re-emerged in the 21st century academic sphere. This is because Gesell is now recognised as one of the originators of 'local currency', which is a monetary reform movement to reconstruct regional eco-cycles and protect from the disturbance of exogenous financial transactions. Gesell's input has re-emerged since the 1997 Asian currency crisis, which occurred after the collapse of the Soviet Union in a period of globalisation, and bred discontent with increasing levels of income earned in an apparently unethical manner, such as interest and rent, and created an orientation towards self-aid and small government. Among the origins of modern local currency are *Arbeitsbestätigungen* (labour certificates) in Wörgl and *Wära* in Schwanenkirchen in 1930s Germany, which are understood to have been influenced directly by Gesell (Blanc 1998: 475).[1] The characteristics of these local currencies, the so-called *Schwandgeld* (dwindling money), include the adoption of

[1] *Wära* is coined from a compound of *Ware* (commodity) and *Wäbrung* (circulation) (Blanc 1998: 481).

decreasing value over time, and these features had some success during the hyper-inflationary period from 1929. Therefore, Gesell's works have been revisited in recent research.[2]

After World War II, Gesell became a 'forgotten thinker' and was the subject of much academic research. By way of explanation, according to Aida (2014: 31–2), Gesell's works were written in difficult German language, were neglected by both Marxian economists and modern economists after the Cold War, and were disregarded by academics because Gesell was a self-educated man.[3]

Another reason for the more recent focus on Gesell, according to Preparata (2006), is that 'it is time that radical political economics receives anew its lost anarchist tradition' in a global context after the 11 September 2001 attacks on the United States, which provide background for acceptance of Gesell's economic doctrine of the anarchist mode by radical political economist[s] in the US. For example, anarchist thought contains 'the theory [of] a few simple, yet penetrating analytical tool[s]' in the politico-philosophical sphere, a 'utopianism benevolently conceived as a normative socioeconomic blueprint', and the attraction of 'a growing number of radical economists away from the somewhat sterile games of Marxian transformation and into the yet uncharted theory of locally issued means of payment, especially those bearing the device of perishability' (Preparata 2006: 624).

Yet another reason for the recent focus on Gesell has origins in Onken, who edited the works of Gesell and proposed the possibility of an economic system as 'a market economy without capitalism' (Onken 2000: 614), which is neither plan and market, nor a 'third way' as a middle way. Onken's proposal is resonant with a 'genuine market', or a kind of market socialism operated by subjects as anarcho-syndicalism and labour-managed firms (Hodgson 1999: Sec. 2).[4] Such a viewpoint positively promotes a market that grows 'competitive entrepreneurship' (Onken 2000: 609), which is in opposition to Marxian schools in eastern European countries that defensively introduced the market to a planned economy because they emphasised an anarchistic production system of the commodity economy.

[2] Gesell's works have perhaps been evaluated most by Irving Fisher among economists. He dispatched an investigating committee to Wörgl, and furthermore, recommended Gesell's policies in the US (Barber 1997: 37–41).
[3] Aida's (2014) first and third explanations are not a metric for separation pre- and post-war. To understand the essential problem of why Gesell was ignored, the participation in fascism of Gesell's successors needs to be studied.
[4] In addition, Zhiyuan points out that 'Gesell's "stamp scrip" proposal is a telling case of petty-bourgeois socialism's economic vision: instead of abolishing the market economy, we can create a market economy with more freedom and equal opportunity by reforming and bringing innovations into the monetary institutions' (Zhiyuan 2003: 61).

The three abovementioned researchers commonly recognise that mainstream economists have discarded anarchism from consideration.[5] To the contrary, the frame of thought of Proudhon and Gesell suggests that in order to debate local currency, a revaluation of anarchism is necessary. However, Aida notes that Gesell's monetary reform does not imply a concept of 'local', but rather the prospect of general social reform, including nationalisation of land (Aida 2014: 113). Hence, it is misleading to read Gesell's works as a theory of local currency.

Although Gesell was a 'forgotten thinker' after World War II, he was referred to frequently in literature before the war. He seems to have been referred to mostly in Keynes's *General Theory of Employment, Interest and Money* (1973). Keynes described Gesell's work thus: 'The purpose of the book as a whole may be described as the establishment of an anti-Marxian socialism, a reaction against *laissez-faire* built on theoretical foundations totally unlike those of Marx in being based on a repudiation instead of on an acceptance of the classical hypotheses, and on an unfettering of competition instead of its abolition. I believe that the future will learn more from the spirit of Gesell than from that of Marx. The preface to *The Natural Economic Order* will indicate to the reader, if he will refer to it, the moral quality of Gesell. The answer to Marxism is, I think, to be found along the lines of this preface' (Keynes 1973: 355). Thus, even if Gesell was, as several researchers have said, 'highly praised' (Morino 2000: 106; Aida 2014: 31), the emphasis in the text should be on '*than from that of Marx*', and the researchers' praise would, in general, be an overstatement of high evaluation.[6] According to Preparata (2002), it is even considered that Keynes stole Gesell's ideas.[7] Preparata mentions that Keynes ignores Gesell's real intention, that is, the aim of achieving Gesellian social reform, while Keynes translates the concept of 'basic interest' to 'premium for liquidity' and that of 'interest upon capital' to 'marginal efficiency of capital' (Preparata 2002). Ivanova points out 'some striking similarities between Proudhon and Keynes, as acknowledged by Dillard, Wright and Mattick' (Ivanova 2011: 217), although Dillard states '[t]here is no reason for doubting Keynes's statement that he did not see the importance of Gesell's theory until he had

[5] Nishibe mentions that 'local currency is an object of economics that, instead of "has not been treated", is rather "untreatable"'; in addition, Nishibe introduces the economic doctrines of Owen and Thompson in the UK, and Proudhon in France, who expound views on local currency (Nishibe 2003: 5–6).

[6] Although Keynes evaluates Gesell's vision as 'liberal socialism', the emphasis here is not on 'socialism', but 'liberal' (Darity 1995: 38–9). 'Indeed, "one of Keynes's main aims (as an enlightened conservative) was to save capitalism"' (Dowd in Preparata 2002: 246).

[7] 'Though less exhaustive than his treatise on money, the land part of the *NEO* [*Natural Economic Order*], dismissed offhand by Keynes in the course of his idiosyncratic exploration of Gesell's main work as undeserving of notice on account of its lack of originality, is however, an integral component of the Gesellian vision' (Preparata and Elliot 2004: 924).

independently worked out his own conclusions', and thus denies a direct influential relationship from Gesell to Keynes, and an indirect relationship from Proudhon (Dillard 1942: 64).

In recent years, even though Gesell has often been quoted in the context of local currency, his two representative works (Gesell 1958; 2007b) have never argued for local currency. Gesell's wide-ranging interests include both monetary reform and land reform, and his policy proposals are grounded in 'anarchist economics', particular his 'capital theory', which would reject classical, Marxian, and even modern economics with marginal revolution.[8] It will be explained that although anarchists and Marxist economists, specifically Kautsky and Lenin, share the same aims in many traditional points, such as human emancipation, Gesell's belief in differing methods to achieve these similar aims causes him to set his main target on the Marxian vision and manner of debate. Both anarchist and Marxian schools claim similar aims of 'abolition of exploitation' and 'realisation of freedom' but, although they use similar terms, they are quite different in content. The stances of both schools against capitalism are similar, but their different stances cannot be judged on appearance. In fact, the meaning is not essentially the same, even though the differences appear marginal. Therefore, Gesell's criticism of Marx reflects his direct stance. His thoughts, reflected as a critique of the Marxian school, should be an economic framework that encompasses the visions and methods of anarchists. Furthermore, this paper clarifies the achievements of Gesell's capital theory and expands on his visions of social reform as 'Free-Land and Free-Money' (Gesell 1958: 12).

This paper identifies three issues in Gesell's critique of Marxian economics specific to Gesell's economic doctrines, which are discussed further: 1) a market-centred vision of society, 2) an independent small producer model, and 3) a money–capital doctrine.

II Market Centred-Socialism

Gesell is qualified to be called an anarchist. As Gesell describes that '[t]he Natural Economic Order stands by itself and requires no legal enactments; it makes officials, the State itself and all other tutelage superfluous, and it respects the laws of natural selection to which we owe our being; it gives every man the possibility of fully developing his ego. Its ideal is the ideal of the personality responsible for itself alone and liberated from the control of others—the ideal of Schiller, Stirner, Nietzsche and Landauer' (Gesell 1958: 23). Gesell's anarchistic view of humankind is clear from this sentence. First, the reference to the natural economic order respecting 'the laws of natural selection to which we owe our being' indicates his application of Darwin's theory of evolution (theory of gradually developments) to the social sciences; it can be understood to set a norm for the

[8] This paper refers to 'anarchist economics' as economic doctrines in the line of Gesell and Proudhon.

way in which society is a Stirner's egoist association from the viewpoint that 'it gives every man the possibility of fully developing his ego' in a natural economic order.[9] Additionally, Gesell states that '*the free-money theory answered* the questions that *Proudhon* left unsolved' (Gesell 2007b: 373), Gesell recognises himself as a critical successor of Proudhon's theory of free credit, and from the viewpoint of Gesell's orientation to reform of land and credit, in brief, Gesell is an anarchistic socialist who emulates nature and sets a criterion of freedom for value standards. However, this does not suggest he advocated 'social anarchism' oriented toward de-marketising, such as a type of Bakunin–Kropotkin 'Communist anarchism' (Preparata 2006: 263). Rather, Gesell's anarchstic socialism is close to a type of Proudhon 'individualistic anarchism' which views a market itself as society. The expression 'individualistic anarchism' appears to be similar to 'social anarchism', and both groups indeed may pursue equitable social relationships under anarchy in same way.[10] That is, there is a single standard for uniting individuals as 'market as society' and for securing a connection among individuals in freedom and equity, and not by constructing a communistic economic system which supposes a 'community as society', such as the Bakunin–Kropotkin type. The rivalry boils down to individualistic anarchists trusting in the stability of market projects post-capitalism; social anarchists feeling apprehensive about the stability of market projects to de-marketise; and Marxian scholars finding consistency with the latter market vision. This paper equates 'market-centred socialism' (MCS) with Proudhonian–Gesellian socialism.[11]

Similarly problematic is Gesell's quote of a long sentence from Kautsky's *The dictatorship of the proletariat* (1919) in the beginning of his *Die Ausbeutung, ihre Ursachen und ihre Bekämpfung* [*Exploitation, its Causes and its Struggle*] as follows.

> 'To be exact, however, Socialism as such is not our goal, which is the abolition of every kind of exploitation and oppression, be it directed against a class, a party, a sex, or a race[…]. If in this struggle we place the Socialist way of production as the goal, it is because in the technical and economic conditions which prevail to-day Socialistic

[9] An egoist differs from a self-interested person in the ordinary meaning. Stirner (1995) demonstrates personal ego alienated by an ego of God in processes of dialectic development in *The Ego and Its Own*, and furthermore, reveals that personal ego is even subject to thoughts of humanism since Feuerbach. Stirner describes egoists as people who hold onto 'ownness' as the master of themselves without being subject to any other people or thoughts.

[10] More correctly, we should call it 'anocracy' instead of anarchy (Preparata 2006: 619). Gesell points out an error of terminology with 'anarchy of production' being conflated with 'anarchy'. 'Often, the wrong sense of the word *anarchy* is used to accuse the private sector with reference to its *plans*. When accusing private sector participants, an economy is considered to be perfectly led by plans and with the aid of statistics. However, this thought is too naive (Gesell 2007b: 393).

[11] Although the term MCS is not generally used, this paper defines it to avoid confusion between 'market socialism' in current China and other reforming socialist countries, and 'marketism' in the meaning of neo-liberalism.

production appears to be the sole means of attaining our object. Should it be proved to us that we are wrong in so doing, and that somehow the emancipation of the proletariat and of mankind could be achieved solely on the basis of private property, or could be most easily realised in the manner [indicated by Proudhon], then we would throw Socialism overboard, without in the least giving up our object, and even in the interests of this object' (Kautsky as cited in Gesell 2007b: 352).

Although Gesell's aim is consistent with Kautsky's doctrine of the proletariat with regard to 'the abolition of every type of exploitation and oppression', their positions contain critical antagonistic points related to vision and methods of economics.

The principal issue in this argument is the advocacy of the private economy under a non-exploitative economic system. The Marxian school, such as Kautsky, negates private ownership of the means of production under a non-exploitative economic system. 'These descriptions lead inevitably to demand for the communist economic order. Both capitalism and communism create demand to pull Marxian capital–theory', and this is at odds with the egoistic nature of man clarified by Darwin and Stirner (Ibid., 354). That is, '[t]he economic order here discussed is a natural order only in the sense that it is adapted to the nature of man' (Gesell 1958: 9), and '[b]y the Natural Economic Order we mean, therefore, an order in which men compete on equal terms with the equipment given them by nature, an order in which, consequently, the leadership falls to the fittest, an order in which all privileges are abolished, in which the individual, obeying the impulse of egoism, goes straight for his, aim, undisturbed by scruples alien to economic life—scruples which he will have opportunities enough of obeying outside economic life' (Ibid., 11–2). Gesell points out the necessity of 'justified egoism' and 'equal equipment for the economic struggle' as conditions for constructing the economic order as follows. 'The prosperity of mankind, as of all living beings' would be achieved via the same 'laws of natural selection' (Ibid., 9–10, 12).[12] In addition, '[e]conomic order does not apply to human nature, so already on this basis, from the time of Adam, [humans can] only change very slowly, if at all, so virtually every Marxist must be called the proletariat: we fight for a hopeless matter' (Gesell 2007b: 354). Thus, it is difficult to accept the Marxian view of 'human nature as if it would suddenly emerge from an economic system of communism and transform into something rational. Nevertheless, Gesell would not deny being able to abolish exploitation by constructing an economic system of communism. However, he questioned whether 'oppression' and 'enforcement' would remain after the abolition of exploitation under a

[12] Thoughts of Stirner and Proudhon orient to 'a wish for communal desire within a tempered regime of private property', in other words, 'a mixed system of property balanced by the redistributive action of the public hand' (Preparata 2006: 621–2).

communist system. Because denying private ownership of the means of production will result in the nationalisation of the means of production, '[t]he first [Marxian] theory demands the *abolition of private property*, and also of the private economy, of *self-responsibility* in logical application. The distribution of products is carried out by the *State*, which *directs the production*. The principles to which distribution should occur are regulated *by law*' (Ibid., 358–9).[13]

According to Gesell, '[h]owever, *both* [Gesellian and Marxian] systems claim, to their strength, that the *main goal of socialism is to realise the elimination of exploitation completely*'. However, revolution achieved in this manner in Russia had not only removed exploiters for the time being, but caused the following: 'the Russians seem to have paid dearly [sacrificed] to achieve [the goal], such that some long for the happy times of capitalist exploiters again' (Ibid., 359). Otherwise, revolution could simply replace an old state of exploiters with a new power as a state for the sake of abolishing exploitation. Free from the world of eternal recurrence, a dramatic replacement of power holders is described in *Directions to Servants*, 'exploitation is, according to this theory, a product of violent interventions in the natural [order], by itself, which results in the regulation of the economy itself. [However, we should] eliminate these interventions to eradicate exploitation' when maintaining the conditions of the private economy (Ibid., 359). At the same time, this would create a society of egoists composed of people with equal power under anocracy.

Thus, Gesell denies that Marxian visions concerning market and ownership would lead to a system of communism of the Soviet Union-type. Therefore, anarchist economics would be grounded in the advocacy of private ownership of the means of production (real capital) and the market economy.

III Independent Small Producer Model

Denying exploitation and accepting private ownership of the means of production might be viewed as a contradiction from the standpoint of the Marxian school, which points out exploitation in production processes. However, according to Gesell, this is a judgement based on incorrect understanding of exploitation.

Certainly, socialists are defined as '*everyone involved in the fight against exploitation*', but in fact, there is 'still not a clear picture of the nature of exploitation power' among socialists. Even if it were possible to define exploitation on the basis of '*economic superiority*', there is no consistent view on what economic superiority is (Gesell 2007b: 356). This is a point of antagonism between the

[13] From the viewpoint of Gesell, although Kautsky (1919) is a criticism of Bolshevism, a future of the Kautsky-type of social democracy would result in a 'planning state' as well as Lenin-type of socialism of the Soviet Union. In addition, people do not accept the Soviet Union-type socialism, which is shown by increasing immigration from the Soviet Union to Germany (Gesell 1958: 49).

Marxian theory, which focuses on the cause of exploitation as '*the private ownership of the means of production*', and Gesell's theory, which focuses on '*the results of our defective institutions for money and land*' (Ibid., 358). If we insist that private ownership is the cause of exploitation, this theory necessarily leads to nationalisation of the means of production to abolish the market as an economic ground of freedom. Then, it is necessary to recreate the natural economic order so that it may remove the cause of exploitation by preventing the planning and intervention of the state, that is, 'the *land and money should "be socialised"*'; this is emulated by Proudhon's method to gradually liquidate the state (Ibid., 359).[14]

To support Gesell's abovementioned perspective currently, it must be proved that '*[t]he positive evidence for a non-exploitative economy is fully compatible with private ownership and the private economy*' (Ibid., 362). Gesell's thesis that the cause of exploitation is '*our defective institutions of money and land*' at the same time contains an antithesis, that is, the cause of exploitation is not '*the private ownership of the means of production*'. Therefore, Gesell must first prove the mistake of the Marxian theory of exploitation. In so doing, we must necessarily revise the significance of exploitation in Gesell's work.[15]

The mistake of Marx's theory of exploitation is also a mistake of presumption in his theory. According to Gesell, some of Marx's theses are uncritically assumed. These misconceptions of Marx are, first, his *thesis of commodity of labour power*, and second, his *thesis of equal exchange* that indicates ordinary money is nothing more than a medium of exchange because '[*m*]*oney is a perfect equivalent in the exchange of obtained commodities*' (Ibid., 360). By reading Marx's intention to criticise Proudhon under such assumptions, Gesell in turn criticises Marx using the same theoretical position as Marx.[16] In opposition to Proudhon, who pointed out exploitation in circulation processes

[14] For instance, see Proudhon's 'Fifth Study: Social Liquidation' in *General Idea of the Revolution in the Nineteenth Century* (2007).
[15] Gesell is referred to in the Preface, where he is quoted: '[t]he abolition of unearned income, of so-called surplus-value also termed interest and rent, is the immediate economic aim of every socialistic movement'; this limits the role of exploitation in surplus value in favour of interest and rent (Gesell 1958: 27).
[16] 'If Karl Kautsky had started [to summarise] from the *whole* works, he would not have been confused by the sophistry of the work, he would have [happened] on the site in [*Capital* Vol.] III. In Vol. I, in what Marx confirmed so clearly and so unmistakeably himself through a lack of apprehensive words, that to clarify the possibility of exploitation existed before entrepreneurs existed, it is "not necessary" to eliminate all exploitation because "neither natural nor artificial monopolies have to falsify commodity-exchange in favour of buyers or sellers". By that falls [Marx's] whole struggle against *Proudhon*, who said the same things, thus Proudhon was attacked disgracefully by Marx, as well as the manner of Marx in III. By the way, this is the volume which Friedrich Engels also commented on in respect of the cause of capitalist exploitation: that by holding back from the medium of exchange, [therefore by] it is possible to store money' (Schwarz 2008: 27–8).

caused by the power of money, Marx criticised the possibility of abolishing exploitation by realising equitable exchange in circulation processes by proving the possibility of exploitation under equitable exchange in circulation processes. Gesell re-critiques this view of Marx, by expressing theoretical conditions that equitable exchange in circulation processes cannot be assumed. Therefore, Gesell again proposes that the cause of exploitation is the possibility that the power of money leads to an unequal exchange in circulation processes. This reframing of the subject by Gesell can be considered to reignite the controversial debate between Marx and Proudhon.[17]

Before examining Marx's *thesis of commodity of labour power*, this paper discusses Gesell's summary of Marx's theory of exploitation and capital.

> 'The entrepreneur buys the commodity of labour power for its full value, and therefore, without exploitation. However, he does not buy labour power because of its exchange value, thus not as a merchant. He buys it as a consumer in order to consume. However, the commodity of labour power has the peculiarity that its use value is bigger than its exchange value; in other words, the consumption of a product of the commodity of labour power as a product is bigger than the production cost of labour power, and therefore, bigger than the wage. *This difference is the surplus value*. This gives us capital theory' (Ibid., 365).

The quotation clarifies that Gesell does not call the owners of the means of production capitalists, but entrepreneurs. Furthermore, entrepreneurs do not buy the commodity of labour power as merchants, but as consumers in order to use their products. This paper refers to Gesell's abovementioned construction as the independent small producer model. The subjects who appear on Gesell's theoretical stage are entrepreneurs as owners of the means of production (functional capitalists), labourers as owners of the products of labour (independent small producers), and capitalists as owners of hording money (money capitalists).

These three subjects are defined at the start via a relationship between entrepreneurs and labourers in which commodities bought by entrepreneurs are not labourers' labour power. Because labour power is not a commodity, this position encounters two difficulties in Marxian theory. First, labour *power* as the ability to work cannot be bought because only labour *products* can be bought. In order to purchase '*the will to work*' (Ibid., 363), labour must be purchased as a product due to the combination of this will and ability. Second, it is difficult to define the value of labour power using the real wage (cost of reproduction) because labour power is not a labour product; therefore, it is also

[17] However, we should pay attention to the fact that neither Gesell nor Marx notice that 'Proudhon was well aware that exploitation occurred at the point of production' (McKay 2011: 8).

not possible to grasp the difference between the concepts of value and use value of labour power.[18] On the other hand, entrepreneurs do not pay wages to labourers in advance. Because, the 'entrepreneur lends' the means of production to labourers, labourers sell or 'provide' their products of labour for 'remuneration' (interest of the means of products or interest of real capital) to entrepreneurs. This is the content of the contract of employment. Wages are paid from entrepreneurs to labourers as a selling price or 'the *piece wage*' (Gesell 2007b: 363–4).[19] By entrepreneurs offering wages to labourers, 'the offer is demanded at the employment of the labourer by the entrepreneur according to the whole products that he expects from the labourer. In addition, the labourer demands his wage depends on his labour product' (Ibid., 363). Labourers are contract producers, and entrepreneurs are merchants who sell commodities produced by entrustment.

A relationship of entrepreneurs and capitalists appears as a relationship of functional capitalists and moneyed capitalists. That is to say, moneyed capitalists lend funds for business and functional capitalists borrow funds to buy the means of production. Furthermore, decision-making and investment actions by entrepreneurs are exposed to competition for borrowing funds, which is a factor of interest rates, and, on the other hand, a kind of two sided competition to buy and lend the means of production, which is a factor of the interest rate of real capital. Competitive outcomes would then be decided by a standard correspondence between the money interest rate and the interest rate of real capital. In a money market, demand for borrowing funds increases insofar as the interest rate of money is below the interest rate of real capital, and vice versa. As for the connection with buying and lending the means of production, supply of commodities would rise in an industrial sector in which demand exceeds supply because the interest rate of real capital for this sector

[18] Gesell denies theories of value completely to describe the abstraction of labour time as a substance of value of a commodity through the so-called 'method of distillation'. In Chapter 1 Commodities in *Capital* Vol. I, 'Marx's abstraction cannot be demonstrated in any crucible [manner]', 'but the other investigators of value are no whit better'. To demonstrate, Gesell says 'the theory of value is of fundamental importance in economic science. But a theory so important in economic science should be still more important in economic practice', because '[i]n every other sphere of human activity science and life go hand in hand; in commerce alone nothing is known of the principal theory of the science with which it is connected. In commerce we find only prices, prices determined by demand and supply. A business man speaking of the value of a thing means the price that its owner would probably obtain under the given circumstances of time and place. Value is therefore an estimate which upon completion of a transaction is converted into a measured quantity of exchange products, that is, a price. Price can be measured to a nicety, value can only be estimated, that is the sole difference. A theory of price must therefore apply equally to price and to value' (Gesell 1958: 151–3).

[19] 'The *wage contract* is nothing more than a *sales contract about these commodities* made between the worker and entrepreneur. *In the case of the piece wage, this relationship will be clear*' (Gesell 2007b: 363).

exceeds the general interest rate of real capital; however, supply again would plummet to the general interest rate of real capital relative to demand.

Entrepreneurs, as assumed by Gesell, not only own the means of production but also lend the means of production, even if they do not commit to production directly; thus, this kind of entrepreneur has no ability to control the processes of production, but can set an end to production. The content of the employment relationship has been described: it is a production contract which means labourers are not different to leasehold farmers who lack the conditions to sell the products of their labour. Labourers have to sell their products by reason of having no merchant talent, but if 'the labourer were to have generally economical creditworthiness, the labourer could himself create entrepreneurial business, provided he also obtained the necessary knowledge [to do business] – *similar to what leasehold farmers do*' (Ibid. 364). In summary, labourers are independent small producers but are incompletely independent insofar as borrowing the means of production from entrepreneurs. If it is viable for them to become entrepreneurs through having 'creditworthiness' and 'knowledge', they can make the leap to fully independent small producers. The theoretical significance of the employment relationship described by Gesell does not amount to 'buying and selling of labour *power*', but rather 'buying and selling of labour *product*'. Thus, the 'independent small producer model' is entirely analytical.

In the three-subject model described above, moneyed capitalists can claim a money interest from entrepreneurs by reason of money scarcity and monopoly. By the same token, entrepreneurs can claim a real capital interest from labourers by reason of scarcity of the means of production and monopoly thereof. Both moneyed capitalists and entrepreneurs hold the power to claim interest based on the scarcity of resources. However, it is not primary scarcity of the means of production, but money scarcity. The scarcity of money makes labourers unable to buy the means of production and, as a result, they must be reconciled to accepting the situation of paying dual interest for money and real capital.[20]

Interest earned as surplus value in the processes of circulation is obtained by '*economic superiority*' caused by primary scarcity and monopoly of money. If that is the case, both the scarcity and possible monopoly of money would lose the property of abundant money supply. Furthermore, money interest might fall to zero ultimately. Because of losing the scarcity of the means of production, where possible, can be bought by money that does not bear interest, and it is possible that the interest of real capital would also fall to zero. With the '*economic superiority*' of money, in other words, the power of money to fall, money interest would also disappear. This is Gesell's

[20] 'Capitalism – [a]n economic condition in which the demand for loan-money and real capital exceeds the supply and therefore gives rise to interest' (Gesell 1958: 244).

proposition of 'free money' that dismantles the power of money; anyone can obtain money freely by supplying money abundantly. On the other hand, Gesell points out that Proudhon 'is a dangerous fellow since there is no denying the truth of his contention that if the workers were allowed to remain at work without hindrance, disturbance or interruption, capital would soon be choked by an over-supply of capital (not to be confused with an over-production of goods)' (Gesell 1958: 28), and describes this perspective as 'a sea of capital flooded from the old marginal income. *The interest rate will drown in the sea of new capital*' (Gesell 2007b: 377).[21]

IV Theoretical and Conceptual Background of the Independent Small Producer Model

This paper defines Gesell's economics as 'the independent small producer model'. However, how would this translate into an analytical model? In reality, it might be impossible not to point out the existence of labourers in the sense of propertyless labour power. This must be incorporated as several theoretical and conceptual conditions into a theoretical economic model for the sake of positioning the subject as independent small producers.

To understand the first condition, we must seek to establish 'the economic subject' as 'the subject of human emancipation', and in which social hierarchy and classes. Just as the Marxian school adopts a cold theoretical position that ranking of the independent small producers would fail in the competition of the capitalist market, it can be said that anarchists, in general, take a cold attitude toward the non-autonomic working class in their theory and thought. Graeber states that '[a]narchists have never been much interested in the kinds of broad strategic or philosophical questions that have historically preoccupied Marxists' (Graeber 2004: 5–6). This is because it is unproductive to have reservations about constructing 'high theory', to address questions such as '[a]re the peasants a potentially revolutionary class?' and '[w]hat is the nature of the commodity form?', for the purpose of exploring 'an ethical discourse' and 'forms of practice' (Ibid., 6–7). Nevertheless, Graeber, comments that Bakunin 'claimed that revolution should come not from the most alienated people in advanced capitalism, but from small farmers and artisans in Russia and Spain who maintained traditional autonomy. And, Bakunin was right' compared to 'the traditional Marxist explanation that revolution would be realised by industrial workers in the UK and Germany, the most advanced industrial powers in those days'; Graeber then identifies 'small farmers and

[21] According to Gesell, we should not choose strikes as Marxians claim, but rather create a situation in which moneyed capital cannot obtain interest by performing labour to create an over-supply of capital, which would further decrease the interest rate of real capital. Excess capital decreases interest and rent and, on the other hand, must raise the scarcity of labourers relative to increasing wages. Excess capital, in general, could produce a moment of crisis under capitalist production, in which a stationary situation occurs that clears away excess profits under a 'free economy'.

artisans' as being 'simultaneously the least alienated and the most oppressed people' (Graeber 2006: 11–2).[22] Indispensable propensities for anarchist economics include 'a spirit of self-aid' and 'a feeling of self-esteem' by autonomic subjects having the ability to make decisions about their management.[23] However, they have not sufficient qualities to become historical subjects for self-emancipation, because 'employed workers' have neither abilities to earn their own living nor decision-making for their management as they have lost the indispensable propensity of self-esteem. The first condition shows not only that anarchist economics is an analytical theory but also that reductionist conditions from their vision must be included if economics is to have clear goals, such as 'abolition of exploitation' and 'realisation of freedom'.

The second condition is an assumption of a social foundation of unowned land and free-land (Gesell 1958: 52), which means labourers would not be propertyless. Dependent on uncultivated and unowned land around society, this opens the theoretical possibility of the self-managed farmer for those labourers who are not satisfied with their wage amounts and who can cultivate this land.

Gesell classifies free-land into three classes. '[F]reeland of the first class' is represented by 'the vast tracts of uncultivated land in North and South America'. This free-land can be moved to freely and cultivated to own. '[F]reeland of the second classes' is the wider fields of 'America, Africa, Australia and Asia', which is not owned by anyone, 'however, large areas that are not cultivated, but which by some abuse of State-power have become the private property of individuals living in some far-off place' (Ibid., 52).

'The most important freeland, however, and that which is also of greatest significance for the theory of rent and wages is freeland of the third class' (Ibid., 53). This is free land which can be created continuously by improving the way land is used, for example, in Germany. In general, Gesell's 'freeland of third class' would create superior land from inferior land by improving agricultural techniques to increase harvest quantities from the same square of land. This example shows the creation of 'freeland' by improving the way of using urban land. This could be considered as 'the space above the storeys already in existence, up to the clouds, as free building land' (Ibid., 55). If storeys were to be built toward outer space in this manner, the result would be that the rest of land 'would form a surplus' with the effect of falling land rent (Ibid., 53). Gesell presents a second example, a case in which expansion of inferior land disables differential rent. Furthermore, improved techniques make it possible to cultivate untouched land, which would create land profitability based

[22] Graeber's review of Bakunin would not be fair, because Bakunin also focuses on wage slavery.
[23] 'The work bears witness to this "peace-dripping" spirit, which is ultimately the feeling of strength and security, and meets anyone who is aware of making himself this. However, this sense of security is a precondition for clear thinking and fair judgments' (Gesell 2007a: 226).

on whether there was differential rent. Thus, ‘freeland of the third class’ is created by improvements in the way of using land, such that land would not secure differential rent (Ibid., 54).

Therefore, it is theoretically possible for all land in Germany to transform into the ‘freeland of the third class’. In addition, ‘the farm-labourer may at any time take refuge on this freeland if dissatisfied with his wages. The wages of farm-labourers cannot fall permanently below the proceeds of labour on such freeland of the third class, any more than they can fall below the proceeds of labour on freeland of the first class’ (Ibid., 55).[24] That is, the amount of minimum regulated income of labourers would be ‘the proceeds of labour’ in the ‘freeland’, and by the movement of labour in electing whether to receive wage employment or cultivate ‘freeland’.

Free-land has existed widely as already described, with excess profit on the superior land exploited as differential rent accruing to the existing landowner. It would be necessary to transform the differential rent into treasury revenue through nationalisation of land in order to abolish the form of exploitation that is differential rent. This is a Gesell’s perspective of land reform. It appears similar to the Marxian school criticised by Gesell in the method of nationalisation of land but, needless to say, they are not the same. Certainly, while the state also owns land in Gesell’s proposition, it does not interfere with the way to use land. The right to usage would be lent for a certain period alongside the manner of use entrusted to private managers.[25] Further details on the plan are described hereafter. Specifically, Gesell makes mention of two sentences in which policies are enacted through the nationalisation of land as follows.

> ‘Sentence 1. All countries which join the big league of peace replace completely the special ownership of land (private ownership). The land is then the property of the people and the land is rented to private management which tendered the highest price in the public bidder system.’
>
> ‘Sentence 2. Everyone can participate in the public leases….’
>
> ‘The rent money is distributed evenly and completely to women and children without distinction [to their origin]…’ (Gesell 2007a: 68).

Sentence 1 shows the policy is compatible with a free competitive market society. In the trade relationship of these countries, ‘agrarian specific interests’ and ‘the horrible thoughts of closed trade state’ will become extinct, bringing a freer market society (Gesell 2007a: 69). In other words, it

[24] ‘Freeland of the first class’ is not committed to forming standards for the proceeds of labour because it is always higher than non-rented ‘freeland of the third class’.

[25] Subjects who participate in public leases are not limited to individual and private management. Insofar as they agree with ‘freeland’, the institution includes ‘[a]lso large tracts for communistic, anarchistic, social-democratic colonies, for co-operative societies, or religious communities’ (Gesell 1958: 89–90).

would clear away those who appropriate the rent of land, and 'attacks the class state at its source' (Ibid.). Of course, the banishment of landowners should not be forced such that '[t]he rent thus calculated is then capitalised (capitalisation of rent refers to the sum of money which would yield interest equal to the rent) at the mortgage rate of interest, and this amount is paid to the landowners in interest-bearing state securities' (Ibid., 73). These plans would be followed as a process of socialisation of land proposed by Proudhon. On the other hand, the free public bidding system declared in Sentence 2 supports the freedom of movement of labourers, which is a condition for equitable competition. Labourers push up the price of land on expectations of higher proceeds of labour, which in turn pulls down the bidding price. The bidding system works as described above, and consequently, the proceeds of labour are oriented toward equalisation socially. However, in this case, the motivation would not be lost to find a bigger difference between the expected proceeds of labour and the actual bidding amount, hence, the disparity is not solved from the difference of competencies as merchants of bidding entrepreneurs. Rather, this case recommends the transfer of excess profits over average profits to labourers in order to maintain their power to drive the economy. Lastly, rent as surplus value will be redistributed by the state for women and children.[26]

Therefore, a land nationalisation policy would abolish exploitation as a goal of socialism, and maximise the income of individuals as 'the whole proceeds of labour' (Ibid., 36). However, 'the whole proceeds of labour' would not be an individual concept but rather '[t]he right to the collective whole proceeds of labour' (Ibid., 38). This collective category of income is Gesell's concept of class. Its content is to maximise the whole proceeds of the labouring class, by removing the income of the landowner's class.[27] However, maximising the whole proceeds of the labouring class by nationalisation of land would not involve equalisation of individual income and would not even secure the minimum wage. Those who hold the competence to be merchants might obtain excess higher than the average for the same products, while professional occupations need to 'some natural physical aptitude (such as singing, for example)' and 'workers who perform the most highly qualified work are most securely withdrawn from the competition of the masses, and are therefore able to obtain the highest price for the product of their labour' (Ibid.). In summary, the proceeds of labour will not be 'determined arbitrarily, but by the conditions of the market' by demand and supply of the products of labour (Ibid., 39).

A Doctrine of Money–Capital

[26] 'This economic strength and economic independence will of course change the whole relationship of man to man; manners, customs, speech and character will become freer and nobler' (Ibid., 114).
[27] In short, Gesell's use of the term 'proceeds of labour' should be understood to mean real wages in kind.

We move on to an examination of Marx's *thesis of equal exchange*. Gesell states that '[t]he *free money theory* also researches the nature of Marx's formula of exchange of capital, M–C–M′ (money–commodities–surplus money)' (Gesell 2007b: 366). 'However, it does not imply, as *Marx* does uncritically, that the money is a perfect equivalent of commodities' (Ibid.). Marx narrowly defines money as the equivalent of commodities in his formula whereas the free money theory found in 'Marx is formulated by general design of exchange for which there is evidence that money is more than an equivalent' (Ibid.). Even though Marx, in *Capital*, states that profits will be produced incidentally by nothing less than the fraudulence of merchants, and that commodity and money are exchanged equitably in the processes of circulation, the free money theory understands that '[t]he Marx's formula M–C–M′ is *a proof that is right for them* that money is independent capital, and that M′ is not a product of eternally repeated fraudulence but *the result of superiority of the money owner over the owner of commodities, and thus, the product of an economic power factor*' (Ibid.)

The question of '*why money as capital may be against commodities*' has been answered to focus on 'the nature of things' as money (Ibid.). Under a production system involving division of labour, 'commodities are their contractor and their owner is directly useless. To take advantage of them, commodities must be *replaced*' (Ibid.). Then, from the standpoint of the owner of commodities, money would be claimed as a '*medium of exchange*', the owner of money would not have to respond to their claims in the order of the essential difference of 'the nature of things' (i.e., commodity and money). This is because gold as money must not be exposed to a loss of things in any proceeding period. The owner of money loses only an opportunity to earn interest on money that is lent. To the contrary, commodities as things would incur various types of losses and natural degradation over time that otherwise must maintain these qualities. In spite of there being few costs for keeping and carrying over money, there are substantial costs in relation to commodities. Commodities degrade on a daily basis, and must be sold as soon as possible, whereas money is not forced to degrade and there is no motivation to quickly exchange it for commodities. For this reason, money as a medium of exchange would result in hoarding money because of its superiority to the use value of materials, and furthermore, horded money would turn into capital. Material commodities cannot be hoarded because of their inferiority in respect of keeping value. The means of production supposed by the Marxian definition of capital holds that materiality equals other commodities at this point. Degrading commodities have no capacity to become capital, and only money that is hoarded would be capital.

Gesell refers to the disparity of 'the degradation rate of capital' between commodities and money that would occur from the difference of 'the nature of things' as follows. '*It is so obvious that here is not full equivalence*, that the money owner rules the owner of commodities by a special compensation. This request can be waived by the owner of commodities carrying over trade to create a direct *loss of substance*' (Ibid. 369). '*Money is debunked as independent capital. There is no perfect equivalence. Money is more. And this extra value creates surplus value*' (Ibid. 370). In other words, the disparity of 'the degradation rate of capital', through creating an asymmetric relationship of power between commodity and money, would create money interest or surplus value. Gesell defines the interest charged by the power of money as 'basic interest' (Gesell 1958: 371). According to Gesell, a mistake of Marx is his definition that money in fact works as a medium of exchange, which overlooks the issue of hoarding money. Therefore, Marx has not noticed that money is capital, and has wrongly defined real capital (the means of production), which is inferior in use value as capital. The use of gold as money would lead to the economic power of money from the material superiority and scarcity, then, it must be close to ideal form as a pure medium of exchange by depriving its position as money, alongside general commodities which are transformed into material things that cannot be hoarded.

Although Gesell also agrees that the function of money should be limited as a medium of exchange, Marx mistakenly brought the ideal symbol of money into the level of analytics. Consequently, the mistake of Marx's capital theory would result in the doctrine of material things being capital, which appears as the means of production being equivalent to capital.

However, it seems to be impossible in the ordinary state that 'basic interest' is collected through the asymmetrical relationship between the owners of commodities and the owners of money in the processes of circulation. The reason for this is explained by a contradiction in words in the following example. Suppose that 100 pounds of money does not equal to 100 pounds of commodity. Money holds economic power, in the sense of obtaining 'basic interest' through the purchase of a commodity. If an owner of money *A* buys a commodity equivalent to 105 pounds with 100 pounds of money, whenever *A* resells her commodity that is equivalent to 105 pounds, she has to pay 'basic interest' to an owner of money *B* who holds economic power. Consequently, *A* cannot retain the 'basic interest' in her hand. Likewise, it would not make sense to buy a commodity worth 105 pounds with money worth 100 pounds. What does this mean for the superiority or inferiority of the nature of use value that would degrade the equivalence of the commodity and money? It would not be unreasonable to be suspicious that price always shows an equivalence at the closing of buying and selling.

Furthermore, consider the following. Supposing that 'basic interest' is collected for the difference of the degrading rates of commodity and money, when an owner of money worth 100 pounds and an owner of a commodity worth 100 pounds is exposed to a physical loss of 5 pounds a day in the moment of exchange, even if the 5 pounds difference of the degrading rates can be collected, what processes would be required to ensure the collection of 'basic interest'?

Gesell explains the process of collecting the 'basic interest' by an owner of money in the 'general formula of capital' as M–C–M′.

> 'Money claims interest for each time it is used, somewhat as a cab claims a fare. Interest is counted among the general expenses of commerce and collected with these—it is immaterial whether [it is] as a deduction from the price paid [to] the producer or as an addition to the price demanded from the consumer. As a rule the merchant can estimate by experience the price which he can obtain from the consumer. From this price he deducts the costs of commerce, wages for his own work (net profit of commerce), and interest. Interest is calculated by the average time, known to the merchant by experience, which elapses between the purchase and the sale of his merchandise' (Gesell 1958: 384).

This quotation appears to refer to an entrepreneur acting as merchant who directly collects 'basic interest'. By Gesell's explanation, it is not decided whether the deduction of the cost added as 'basic interest' to the primary cost of the sales price would be 'net profit of commerce'.[28] 'Basic interest' deducted from the sales price would be paid by the entrepreneur to the moneyed capitalist as the lender of funds. The producer has nothing more than a means or ability to sell her products at any moment, and must transfer commodities to the merchant. Furthermore, the economic superiority of money creates a disparity in the possibility of waiting to exchange between commodities and money, and the disparity would depress the price of the producer. To revisit the abovementioned example, the merchant with 100 pounds of money would be pressed to discount the commodity price that could be sold at 105 pounds to an equitable transaction at the price of 100 pounds. The sales price for the consumer would be 105 pounds, and the difference of 5 pounds would include both the 'net profit of commerce' and 'basic interest'. That is, 'the tribute is contained in the difference between them', which refers to the price of the consumer and the price of the producer. It has to be noticed that this is on condition that '[t]he tribute can be levied only on the sale of wares, and requires the fulfilment of one essential condition: [d]uring the interval between buying and selling a product, its price must not fall' (Ibid., 230).

This would explain why Gesell's market vision should be called the theory of 'market conditions' (Ibid., 168). As described, stable prices have to be shifted under certain terms to obtain 'basic interest'. However, such a stable situation does not occur commonly under the forceful actions of the owners of money. In the economy characterised by division of labour, the owner of a

[28] The quotation from Gesell makes it clear that the concept of profit is defined as the wage of the merchant and entrepreneur, which would be categorised as labour income.

commodity has to exchange her commodity for money to purchase a commodity that she wants, using money exchanged to buy the commodity. Furthermore, although commodities have a natural propensity to age over time, money has immortality without aging. Owners of material things take into account their asymmetrical natural property in the relationship of exchange, whereby the commodity owner considers avoiding the degradation loss by selling quickly; otherwise, the owner of money waits for a market situation in which she could buy favourably through the natural superiority of money. In the case in which an owner of a commodity wants to buy another commodity more quickly, a higher rate of 'basic interest' would be claimed. Therefore, '[t]he longer sale is delayed, the less favourable the market conditions' (Ibid., 225). However, under the economy characterised by division of labour, this is an ordinary market situation for all participants. However, according to Gesell, 'those of us who are unable to grasp this ghostly property of commodities called value, and who therefore regard the exchange of commodities as an action, and the commodities and state of the market as accessories of this action, will be able to discover no other motive for such action than the desire common to all owners of commodities, [which is] to give as little as possible and to receive as much as possible' (Ibid., 163).

The 'state of the market' is characterised by unpredictable incidents. Briefly, this means that an owner of money waits for the chance to buy a degraded commodity price amid the general tendency of falling prices. Over the term of falling prices, when it would be difficult to collect 'basic interest', the merchant holds back on purchasing commodities. In this case, 'a general opinion that prices will fall' spreads among merchants and owners of money would reduce their demand even further (Ibid., 232). 'But prices fall just because the supply of money is insufficient' (Ibid., 231). In spite of declining prices in order to decrease demand, the decline of demand would be caused by falling prices. '**This, therefore, is the law of demand, that it disappears when it becomes insufficient**' (Ibid., 235). 'The equilibrating forces, of which so much is written, never come into play. The evil is intensified, not mitigated; there is no sign of any compensatory tendency' (Ibid., 234). Money, as far as it includes the power to claim 'basic interest', would tend toward a shortage of 'the supply of money' to bring about a crisis of under-consumption (Ibid., 231). In contrast, the owner of money threatens to present '[n]othing of the kind; they try to effect the sale by reducing their prices, they all try to attract money by lowering their claims' (Ibid., 331). This applies to producers that forgo buying as a 'strike of money' aimed at excluding 'tribute' under unfavourable market conditions (Gesell 2007b: 376). This occurs as the difference between price for consumers and prices of producers. By clarifying these processes of transaction, the law of demand could be explained by the exploitation of surplus value not relating to whether its existence is created by production processes.

However, at the same time, it should be questioned what it means to produce a residue of production that is equivalent to the collection part of 'basic interest'. In other words, does this theory exclude the logical possibility of creating surpluses in the processes of production? To revisit the earlier example, products equivalent to 5 pounds are transferred to the owner of money, which would otherwise be owned by the producer under a scenario of no superiority of money. These products, certainly, have been exploited, but the debatable aspect is who they are owned by. Of course, by Gesell's claims, money forces producers to discount, and producers will always be the final payer of interest. This is certainly the case if we reconsider that Gesell's capital theory could prove the possibility that exploitation of the processes of circulation do not relate to the production of surplus products that create surplus value under the processes of production.

On the other hand, in order for Gesell to concentrate on the concept of capital as money–capital, it is not possible to view material things completely; in other words, commodities could also be capital. Even if it is supposed that the means of production are not capital, it can be questioned whether commodity capital as stock and work-in-progress is excluded from the concept of capital. This issue relates to Gesell's theory of monetary reform. Gesell's theory of free money is a policy that involves the claimant levying a carry-over fee on money which is similar to the rate of the natural degradation of material things. The theory does not take into account that the value of commodities can carry over; moreover, commodities might increase in order to define capital only as money. Therefore, Gesell must have a strong supposition that 'requires the fulfilment of one essential condition: [d]uring the interval between buying and selling a product, its price must not fall', however, it is not necessary to hold capital in a form of money in the period of raising prices to maintain and increase the value of capital in the form of commodities. In addition, Gesell diminishes his concept of capital to compensate for concentrating money–capital as the concept of capital. On the other hand, it is too narrow to view the concept of decreasing value as physical wearing. This is because non-monetary financial and asset commodities could maintain their value without physical loss. Hence, for consistency with Gesell's theory of free money, as pointed out by Soddy, the object of levying would expand to all financial assets (Soddy in Seccareccia 1997: 133).

Although Gesell himself defines the doctrine of money as capital theory, and criticises the Marxian 'doctrine of material things as capital theory', this would be a somewhat slipshod critique of *Capital*. According to Gesell, Engels correctly understands capital as hoarding money, as Engels explains the transformation of hoarding money into capital, described in *Anti-Dühring* as follows.[29]

[29] Furthermore, Schwarz, in referring to the same description of Engels criticising Marx, interprets material things as capital by pointing out that hoarded money is capital. Moreover, Engels' claims contradict even the value theory of labour (Schwarz 2008: 9).

'If Dühring wants to keep metallic money, he therefore cannot prevent some from setting aside a small money hoard, while others are unable to make ends meet on the wage paid to them…on the one hand to form a hoard, and on the other to run into debt…. And, *as the builder of the hoard is in a position to extort interest from people in need, usury is restored along with metallic money functioning as money*…. The usurers are transformed into dealers in the medium of circulation, bankers, controllers of the medium of circulation and of world money, and thus, into *controllers of production, and thus, into controllers of the means of production*' (Engels cited in Gesell 2007b: 374; stressed by Gesell).[30]

However, because Marx has also argued that money as capital has to be hoarded before discussing 'the transformation of money into capital' in *Capital*, Marx's theory cannot be considered a theoretical antagonism of 'money as capital theory' and 'material things as capital theory'. It could be described rather as an issue of stipulating the value of money. In opposition to the 'material things as capital theory' which stipulates the value of money as the production cost of materials, the logic of critiquing 'material things as capital theory' is foreshadows developing a doctrine of fiat money.

We should understand that Engels' description is intended to criticise directly Dühring's theory of labour money. A summary of Gesell's earlier quotation is as follows. Dühring intends to realise 'an exchange of "equal labour for equal labour"' (Dühring in Engels 1987: 286) by using metallic money (labour money) being the standard of value in labour time. However, Dühring does not accept individual hoarding of money, and is not aware of the possibility of circulating metallic money as world money outside of communities. If labour money with gold material as a standard value of labour time includes the opportunity to transform hoards of money by individual accumulation, it would translate to '*metallic money functioning as money*', and the possibility would remain of transforming it into capital through investment and management in a world market of metallic money. The standard value of labour time is not a sufficient condition to prevent labour money from functioning as money. Money hoarders appear to be moneyed capitalists in the beginning, turning '*into controllers of the means of production*' to be industrial capitalists. On the other hand, Owen's labour notes are evaluated with a clear design of institution in order to prevent the transformation of labour notes into capital. Engels' criticism of Dühring is not a criticism of Marx about whether money is capital, or material things as capital, but rather a criticism of Dühring as a labour money theorist. Based on this implication of Engels' critique, Gesell's free money theory must show that it would not transform free money into capital, and commodities (Gesell's material things) into capital when activating the system of commodity production.

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[30] The sentence '[i]f Dühring wants to keep metallic money' does not exist in the original text (Engels 1987: 289).

Lastly, this paper refers to Gesell's theory of fiat money as a criticism of the doctrine of commodity money. Commodity money theorists claim that precious metals equate to money offered at a value of money decided by the material value of commodities. To the contrary, Gesell proposes that if monetary value is decided by the material value of money, then the exchange of commodities and money would be nothing more than a kind of barter. If 'the money is a perfect equivalent of the commodities', it seems that equity in both can be measured by their production cost, which is price. However, price is 'the ratio of exchange between money and wares' (Gesell 1958: 191). If it is assumed that equity is measured by their price, what price would be given? On this issue, Marx uses the labour theory of value by introducing a third measure as the amount of labour bestowed to avoid such self-contradiction (Obata 2005: 56). However, in opposition to this Marxian solution, Gesell denies Marx's logical abstraction to stipulate the value of a commodity by the amount of labour bestowed.

Gesell's 'money–capital theory' criticises the logic of first, the transformation of material things into capital, but also second, the exchange of money and commodities as equivalent. The logic of money being equivalent to commodities conflicts with Gesell's claims that any material value of money is not money, and that money is essentially a medium of exchange which is unrelated to its material value and its back by assets. Gesell's stipulation that the equitable exchange of money and commodities with regard to value theory is nothing more than words of barter does not correctly understand the property of money exchange. In addition, owners of commodities do not take into account the relationship of exchange with the aim of monetary value, that is, to use usefulness as a medium of exchange. In other words, value is not money, but use value (medium of exchange) is money. Therefore, this supports the stipulation of the money theory of quantity (index of prices); that '[t]he quantity of money alone is of importance, for upon it, partly, depends the magnitude of the supply of money and the amount of commodities that we ca[n] buy for it' (Gesell 1958: 176).[31]

From beginning to end, Gesell's capital theory was developed with a criticism of Marxian doctrine in mind. Therefore, Gesell's doctrine should be contextualised within a mirror of

[31] Although Gesell is a fiat money theorist, the practical successes of his theories cannot also be said to have grounding in fiat money. This is because, with both *Wära* in Schwanenkirchen and *Arbeitsbestätigungen* in Wörgl, enterprises and local governments were issuers of local currency secured assets for paying the salaries of public officers and the costs of public works. Thus, there is an unclear route for supplying currency in terms of Gesell's theory of fiat money, as successful local currencies issued have been paid as an equivalent of labour and enterprise. This remains to be evaluated. Kanagawa prefecture in Japan, which has issued a local currency known as LOVES (Local Value Exchange System, 2002–7), would otherwise make a remarkably similar mistake to the theory of fiat money as its local government has issued 10,000 units among about 90,000 civilians.

understanding Marx's capital theory as a mixture commodity theory of money and 'material things as capital theory'.

Gesell's capital theory and social vision is summarised as follows. Gesell's capital theory is that money can collect interest from material things that degrade naturally in order to use unnatural property as a use value of immortality. Therefore, 'material things as capital theory' is incorrect. This is because considering the means of production as material things can be positioned against inferior natural property, which makes exploitation possible. The interest of real capital must essentially be explained from the interest of money. In addition, Gesell denies the view of class society as a base for 'money-capital theory'. Profit, which appears as surplus value to Marx, is at its origin the proceeds of labour, without regard to exploitation. Rather, from the viewpoint of surplus value, profit should be explained as antagonism of social categories in which income divides a class that obtains the proceeds of labour and a class that obtains unearned income. Although this paper could not survey all Gesell's policy claims, Gesell's money reform and land reform is deemed to make unearned income the national budget, and maximises the amount of labour income thorough its redistribution. As argued in the first part of this paper, Gesell's vision supports policies in which philosophical norms, such as nature, freedom, and labour, are interpreted as independent small producers, whose existence expresses these normative concepts collectively in the basic subject in anarchist economics. The essence of 'market-centred socialism' would be concentrated as a vision that creates an economic order centred around the mechanism of a 'non-exploitative market' or 'non-capitalist market' and based on the economic subject of independent small producers and institutional reform of money and land.

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