2009 — 2029: 20 Years of the Network Economy

(Translated in 2019 from the original version published in November 1989 in "Contraste")

By S. Flor, ed. Heidelberg – Twenty years have passed since the network markets were institutionalised. In 2009, attempts were made to consolidate the self-help mechanisms created in the aftermath of the Great Recession and to promote these in the context of the - naturally - very modest opportunities at the time. At the time, almost no one believed these would be more than just emergency facilities, although network markets have now become a natural part of the dual economic structure.


2009 – 2029:
20 Jahre Netzwirtschaft

Contraste, November 1989, S. 14

However, it is still hard to imagine that commodities as diverse as food and modern telecommunications devices might be delivered by a single economic system.

Only by looking back at the one-dimensional economic structure of the pre-recession era does this development make sense, taking into account the social and ecological implications of this economic system. Of particular interest here are the early experiments in alternative production methods under the so-called self-managed economy. Much of what could only lead a shadowy existence under the conditions of the old market economy later became common practice in the network economy. Many younger citizens in particular struggle to understand why these positive initial signs did not lead sooner to reforms in the old market economy. However, we must remember that sixty odd years ago, this environmental challenge was still completely new. The "limits to growth", of which the general populace was unaware until 1970, only highlighted the ineptitude of traditional response mechanisms. In retrospect, perhaps it was precisely this relative flexibility within the old system which caused the commitment to ineffectual political appeals to go up in smoke, while people ignored fundamental reforms.

THE FAILURE OF THE MARKET ECONOMY

Without wishing to fuel the controversy surrounding the causes of the great crisis, the depressive mood in the final decades of the last century certainly explains – at least indirectly – the enormously inflated economic growth of the time. Increased consumption was an attempt to disguise underlying anxiety. The economic system ballooned until the crash burst this illusion. The sense of apocalypse was clear, and all attempts to revive the market economy were doomed to failure. The recession, driven by resignation, ran on for years. Emergency facilities created locally during this period were the precursors to current network markets. The "Law of the Network Economy" sought to consolidate these self-help initiatives and to promote them in the context of what were, at the time, very modest opportunities.

The official introduction to the "Law of Network Economy" from 2009 is attached to this article. It clearly shows that the essence of the network economy has scarcely changed to this day. For the first time, this law created the possibility of autonomous, regional economies. And the major innovation which made this possible was probably the introduction of accounting units as a means of payment method in the network markets, which could not be exchanged for normal currency. Everyone knows that accounting units are book money: this is precisely why this non-convertibility, this impossibility of exchanging accounting units into normal currency, did not remain a meaningless legal requirement. This simple technical trick opened up a whole new economic dimension. Whereas beforehand there had been one global market system, completely new systems were now emerging. However, it was clear from the start that the far less extensive division of labour naturally meant these could not be fully autonomous economic units. The 2009 law therefore defined the nature of network markets as a subsystem to the market system: capital had to be formed through the state and the market. Initially very modest public funding programs fuelled the supply of capital goods and drove companies in the market system to create an adequate infrastructure. These programs contributed greatly to gradual economic recovery after the lengthy crisis.

A SELF-CONTAINED FINANCIAL CIRCUIT

Although industry had overcome the downturn by producing capital goods for co-operatives, the range of consumer goods gradually began to grow again. Many were certainly hoping for a return to the status quo ante, to the time before the crisis. However, it proved impossible to resurrect traditional retail trade, large-scale food production and mass-produced consumer goods. Specifically, manufacturing material products in the food, clothing and housing sectors remained the remit of network providers. The provision of services came later, especially in the social sector.

Any explanation of this phenomenon that is limited to the financial support of network markets, while reducing consumption in the market system through high value-added tax, falls short of the mark. Nor can it be explained by the need for security, which led to sourcing supplies locally because of the dramatic after-effects of the great crisis. If you asked the man on the street, he would tell you that the products here are just better. In fact, some of the relatively labour-intensive goods produced under the old market system would have been classed as luxuries. In practical terms, being restricted to goods and materials from the immediate vicinity gives greater transparency, including with regard to the natural compatibility of products. Combining production and consumption also makes the use of synthetic additives - which were commonly used in mass production - unnecessary and uneconomical. To avoid costs in normal currency, network producers limited themselves as far as possible to local sources. Self-contained financial circuits also led to self-contained goods circuits. This already demonstrates the advantages of a well-balanced dual economy, compared to a one-dimensional economic structure. Even now, the severe pollution left behind by the chemical and automotive industries, for example, is a frequent reminder of the hypertrophic growth of the old market economy. Huge mountains of rubbish, wasted resources, the pollution of even the vast oceans, the threat to the biosphere - the list of environmental catastrophes is endless. Research and development had little to do with peoples' real needs before the crisis. For every step towards addressing real issues through technical innovation, there were at least two steps back. The impossibility of converging economics and ecology became all too clear in some industries, such as agribusiness. Although the environmental damage being caused by intensive farming was blatantly obvious, although health problems from malnutrition with synthetic products were increasing, and although the correlation between abundance in the northern, and hunger in the southern, hemisphere was clear, this misguided development forged ahead.

PRACTICAL CONSTRAINTS WERE IDOLATRY

It is hardly surprising that alternative strategies arose to counter such a deplorable state of affairs, and in as fundamental an area as food production: organic farmers and health-conscious consumers turned to natural products. Producer-consumer co-operatives attempted to bridge the gap between production and consumption. But all in all, these remained the exception. Although many consumers reacted positively to terms like 'eco' and 'organic', these primarily concealed smart strategies by agribusiness marketeers. Against this tough, capital-intensive competition, the goods produced by organic farmers in labour-intensive production constituted a small niche market at best, and one usually inaccessible to low-income consumers.

This clearly shows the close correlation between environmental and social problems. Radical individualisation, part of the dynamics of the market system, meant it became increasingly impossible to meet social needs, which were instead offset by dubious offers from industry. In a self-reinforcing process, this fuelled growth even more. The traditional formula for improving welfare through such growth proved ever flimsier. The force of this drive forward allowed marginal groups to flourish.

Dazzling façades hid isolation and loneliness, which led to increased drug use of all kinds. Deep poverty amid ostentatious displays of wealth increased social tensions. Nowadays, this submission to so-called "practical constraints" must seem almost idolatrous. Economic systems should serve people, not the other way around.

Of course, the introduction of the dual economy did not solve all of these problems. Everyone who works in the network economy understands the difficulties of an environmentally-friendly economy. But unlike the global market system, problems remain manageable in small local areas. The consequences of environmentally harmful trading, whether in resource extraction or waste disposal, would be visible immediately locally. Unlike in the old market system, in the network economy state-of-the-art knowledge can be used to solve upcoming problems. Intermediate technologies found a wide range of applications here. Even intensive farming was only possible through the introduction of network markets. By contrast, the economic sectors of the market system which are reserved for companies are much less environmentally sensitive. Above all, however, government measures today are far better than before the crisis, when any entrepreneur or local politician could argue that creating jobs justified environmentally harmful investments.

It was actually the indirect consequences that noticeably lightened the load on the environment. Things that seemed indispensable then are now superfluous. It can be fascinating to look back and see the huge machine behind the high-wage economy that allowed consumers to enjoy their everyday food, for example. A lot has changed in this respect. The most important indirect consequence is probably the reduction of transport and traffic.

The expansion in air traffic, the transport of dangerous goods, road in-fill and the fragmentation of entire natural landscapes for the sake of private transport - here too, a few choice words are enough to show how perverse the old-style economy was. Shifting more production to local level and reducing traffic went hand in hand with changes in settlement patterns. Integrating work, living space and leisure has led to communication structures becoming closer.

From the once dreary suburbs to areas that were once almost entirely dependent on automobility - the living environment has been revitalised everywhere. On the other hand, life is much less hectic in urban centres than it was before the crisis. Thanks to the attractiveness of the “here”, of people’s own environment, the leisure or “white” industry and its long underestimated ecological impact has almost been left completely behind.

A GUARANTEED MINIMUM INCOME

Although the damage done in 2005 left deep wounds, systemic reform has allowed a remarkable degree of economic prosperity today.

It is hard to see any similarity to the glittering world of the pre-crisis era, but instead we have far greater social justice. We must remember that it was only possible to restore the welfare state because network markets created a focal point with a dense network of social connections. In the age of radical individualisation, the welfare state was hopelessly overwhelmed. The decision, taken some time ago, to introduce a guaranteed minimum income should continue to prevent social disparity arising between people receiving a normal currency income and those working exclusively or predominantly in the network economy. All of this underlines the need for a well-balanced dual economy in the future. It should now be clear that the network economy can only prosper in a functioning market system. Conversely, the market economy was doomed to failure without the stabilizing effect of network markets.

A retrospective view of the pioneers of a decentralised, regional economy and their struggles in the one-dimensional market structure, combined with the collapse of this one-dimensional system, makes the importance of network markets particularly clear.

AN INTRODUCTION

The "Law of the Network Economy”

NETWORK MARKETS

Nationwide, network markets will be created for the scope of this law.

Everyone has the right to participate in the network market of his/her place of residence - but only in this one.

There are no economic links between the networks. They are self-contained units. Network markets cannot spread beyond their own town or region. Once they have a certain membership or turnover, the network must be reformed, or divided, making small-scale economies the characteristic feature of the network economy.

NETWORK CENTRES

Network centres will guarantee the organisational unity of network markets.

A network centre will link the network market and the market system on the one hand and the state on the other. Its roles will include training network operators, technology transfers, etc., and they will also be primarily responsible for regulating payments and providing funding for investments.

Payments in the network exchange are not made against national currency, but in accounting units. The seller receives a credit, the consumer enters into an obligation. All transactions are balanced at the end of the year and any surpluses or deficits are due in normal currency. VAT, which is incurred here just as it is in all other market system transactions, is added to the deficit balance. Purchasing through the network economy only makes sense for consumers who are willing and able to sell the same value of products within the network. There is equally little point in making a profit in normal currency through network markets: in addition to income tax, a special levy will be deducted from the surplus to expand the network centres. In so far as expenditure and revenues are balanced over the year, these economic units will remain independent of the market system. The fact that accounting units cannot be exchanged for normal currency keeps the system independent.

FUNDING

Settling balances at the end of the year removes any drive for profit, which in turn means that capital cannot be formed via the network economy, or only to a limited extent. Moreover, the high-tech capital goods needed for the network economy can only be manufactured within the market system and will therefore be funded using normal currency. The state pays for this out of VAT revenues received through the market system. Only co-operatives which meet the statutory criteria are eligible (these criteria relate to the co-operative ideas of supporting members, including regulating ownership, abolishing private profits, members’ personal liability, the principle of identity, according to which all employees must also be members, and the principle of democracy).

Co-operatives will be entitled to funding depending on their network turnover. Capital provided in this way therefore becomes a co-operative’s own. Formally, however, it remains the property of the network centres. This actually gives co-operatives full authority over their assets, provided these are used for their network production. In principle, these assets must not be sold. This capital neutralization also means that if a co-operative closes, the assets must be paid to the network centre (exemptions are permitted).

01/07/2009