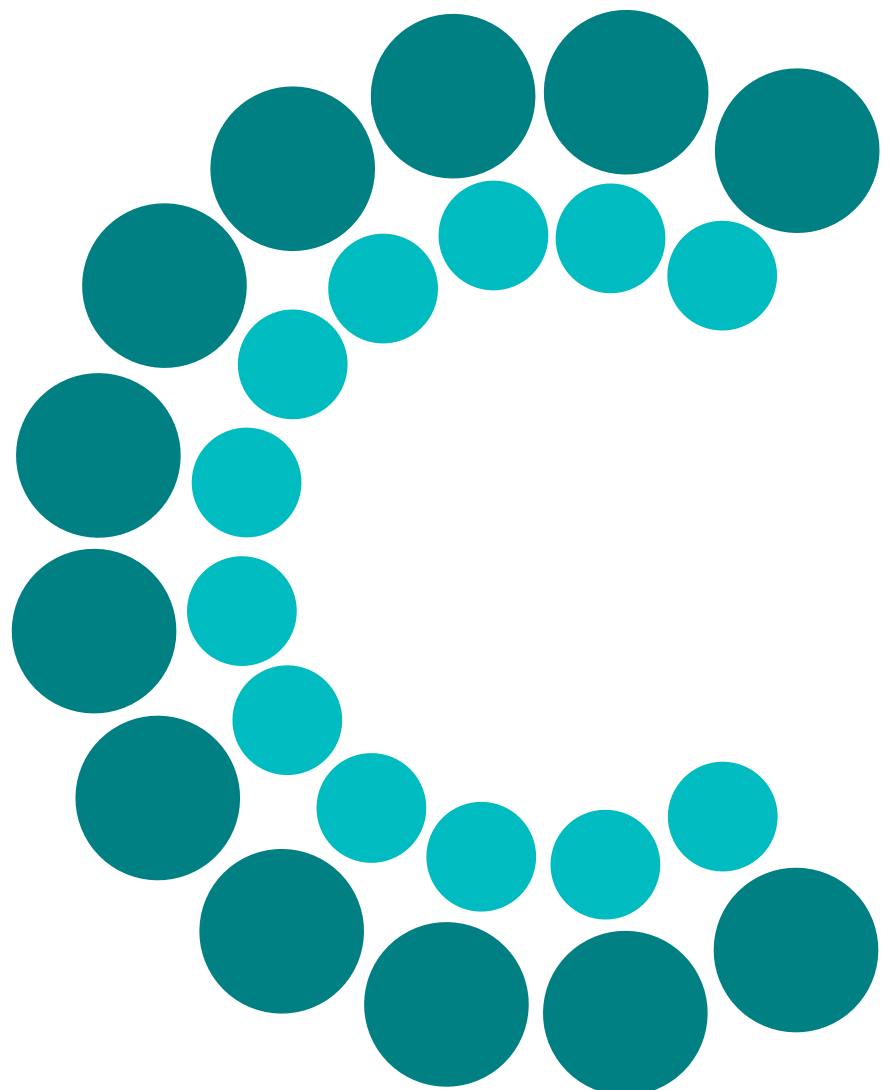


IJCCR

International Journal of Community Currency Research

Volume 15 (2011) Special issue

COMPLEMENTARY CURRENCIES: STATE OF THE ART
edited by Noel Longhurst and Gill Seyfang



www.ijccr.net

Complementary Currencies: The State of the Art

IJCCR 15 (2011) Special Issue (Section D)

Edited by Noel Longhurst and Gill Seyfang

EDITORIAL

Yet another moment of truth? *David Boyle* D 1-3

THEORETICAL ISSUES

Classifying 'CCs': Community, complementary and local currencies' *Jérôme Blanc* D 4-10

On The Money: Getting the message out *John Rogers* D 11-16

REGIONAL REVIEWS

Complementary Currencies in Germany: The Regiogeld System *Christian Thiel* D 17-21

What Have Complementary Currencies in Japan Really Achieved? *Yasuyuki Hirota* D 22-26

Alternative Exchange Systems in Contemporary Greece *Irene Sotiropoulou* D 27-31

Complementary Currencies for Sustainable Local Economies in Central America *Erik Brenes* D 32-38

Community Currency Progress in Latin America (Banco Palmas) *Christophe Place* D 39-46

L'Accorderie and Le Jardin D'Échange Universel (JEU) in Quebec *Mathieu Lizotte and Gérard Duhaime* D 47-51

CURRENCY INNOVATIONS

Kékfrank to boost the resilience of locality *Zsuzsanna Eszter Szalay* D 52-56

The SOL: A Complementary Currency for the Social Economy and Sustainable Development *Maries Fare* D 57-60

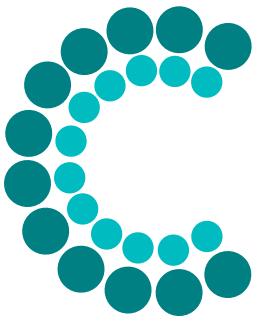
Building Local Resilience: The Emergence of the UK Transition Currencies *Josh Ryan-Collins* D 61-67

A Report from Vermont (USA): The VBSR Marketplace *Amy M. Kirschner* D 68-72

Time Banking in Social Housing *Ruth Naughton-Doe* D 73-76

The Colours of Money: Artmoney as Community Currency *Mark Banks* D 77-81

Complementary Currency Open Source Software in 2010 *Matthew Slater* D 82-87



IJCCR

Note from the Editors: The State of the Art

Noel Longhurst and Gill Seyfang

This special edition has been prepared with the support of the **Grassroots Innovations: Complementary Currencies** (GICC) research project. This two-year project is funded by the Leverhulme Trust and aims to investigate community-based innovation for sustainability, with a specific focus on complementary currencies.

This is a neglected area of research and policy, and the subject of a newly emerging research agenda around the concept of 'grassroots innovations': sustainability innovations that emerge from civil society. The project is gathering empirical data on complementary currencies to test the applicability of existing innovation theories in this particular field of activity, and develop new theory where necessary. Please see <www.grassrootsinnovations.org> for further information.

One of the objectives of GICC is to examine the diversity and characteristics of currency projects in contemporary practice. This is no easy task, and this special edition reflects one way in which we have attempted to capture some of the wealth of contemporary experimentation. It serves to illustrate the variety of projects that are currently being developed within the field.

The fact that this is the first time that something in English has been published about many of these schemes also indicates the extent to which language barriers are an issue in sharing information. We hope therefore that this special edition serves as a timely indicator of innovation within the currency field, and that it inspires further communication and scholarly endeavour.

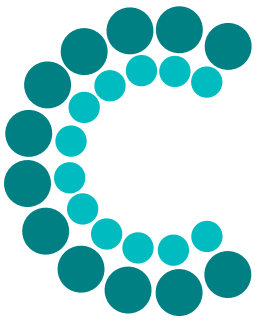
We wish to express our thanks to all the contributors to this special issue, for sharing their ideas and expertise; to the participants of a related workshop on innovation in complementary currencies, which has also fed into GICC, and to the Leverhulme Trust for their financial support.

Dr Noel Longhurst
Dr Gill Seyfang

Norwich, UK
February 2011

International
Journal of
Community
Currency
Research

www.ijccr.net



IJCCR

Editorial: Yet another moment of truth?

David Boyle

Fellow of new economics foundation and co-founder of Time Banking UK
www.david-boyle.co.uk

"It is a slow day in the small Saskatchewan town of Pumphandle and streets are deserted. Times are tough, everybody is in debt, and everybody is living on credit.

A tourist visiting the area drives through town, stops at the motel, and lays a \$100 bill on the desk saying he wants to inspect the rooms upstairs to pick one for the night. As soon as he walks upstairs, the motel owner grabs the bill and runs next door to pay his debt to the butcher.

The butcher takes the \$100 and runs down the street to retire his debt to the pig farmer. The pig farmer takes the \$100 and heads off to pay his bill to his supplier, the Co-op. The guy at the Co-op takes the \$100 and runs to pay his debt to the local prostitute, who has also been facing hard times and has had to offer her services on credit.

The hooker rushes to the hotel and pays off her room bill with the hotel owner. The hotel proprietor then places the \$100 back on the counter so the traveler will not suspect anything. At that moment the traveler comes down the stairs, states that the rooms are not satisfactory, picks up the \$100 bill and leaves.

No one produced anything. No one earned anything. However, the whole town is now out of debt and now looks to the future with a lot more optimism. And that, ladies and gentlemen, is how a 'stimulus package' works."

The above story is an online joke, or perhaps internet inspiration, that was doing the rounds of the internet this past autumn. Judging by the place names and the settings, it originated in North America. What is fascinating about it is that it isn't really new.

A similar story was told during the early years of the Great Depression in the USA by a man called Charles Zylstram. Similar, but with a crucial difference. In the Zylstram version, the story ends with a twist when the salesman who deposited the \$100 note in the safe takes it out again and lights his cigar with it.

"Counterfeit," he said. "A fake gift from a crazy friend."¹

The original story isn't about stimulus packages; it is about the possibility of creating your own money. Zylstram went on to launch the first stamp scrip project in the USA, the idea borrowed from Austria whereby the town issues its own money, which requires a small payment ever month to keep its value. This innovation is known as 'negative interest' money, because it encourages people to spend

rather than save. Or to complementary currency aficionados everywhere, it is known as 'demurrage currency'.

The idea, and the story, were picked up by the one of the leading economists in the world, Irving Fisher, and used for his manual Stamp Scrip, published in 1933 – just as such schemes were being declared illegal by the new president, Franklin Roosevelt, which must have dampened sales.²

It is significant that no copy of Stamp Scrip exists anywhere I've looked for it in the UK, certainly not the British Library. That is a measure of how much the mainstream failed to learn about the idea of new kinds of money. As for Charles Zylstram, I've never been able to find out anything else about him. The only two mentions of him on the internet, as I write, were both in books by me (this will be a third).

But it is also significant, I believe, that Zylstram's story should suddenly resurrect itself now, in a moment of similar economic peril, when people are once again considering seriously what weapons – intellectual and

International
Journal of
Community
Currency
Research

www.ijccr.net

practical – they might have for meeting their own needs, and those around them, if the economy sinks.

New money entrepreneurs are always optimistic. They always believe they are at the very cusp of change. Visit the annual Digital Money Forum, an international event held by the leading electronic money consultancy Consult Hyperion, is to plunge yourself into this same atmosphere of expectation.³ The complementary currency world, electronic or knitted, on constant watch for the expected messiah.

So you have to take any predictions along these lines with a pinch of salt. We have been here before; we will undoubtedly be here again. But the articles in this issue of IJCCR are evidence that this is one of those moments of possibility. The rise of Chiemgauer in Germany, the success of the Brixton pound in London, the adoption of community currencies by the Brazilian central bank, are all symptoms of an emerging possibility.

There is no doubt at least in my own country, that the political and economic changes that are happening, could lead to a huge upsurge of innovation in new kinds of money. The euro crisis. The new local government settlement. The unprecedented new powers given to local councils in the UK under the Localism Bill. All these make innovation possible in new ways.

There are other drivers of change as well:

- The existence of a whole range of online platforms and businesses which could easily launch new kinds of money for far broader use. It is possible to imagine eBay doing so – in fact, they already own the PayPal payments system. Facebook is already working on its own payment system.
- The urgent need that small businesses have for credit, given that the narrow oligopoly of banks – in the UK at least – are steadily withdrawing from the small business market.
- The fascination with payment systems – another symptom of the rigid disinterest of the mainstream banks – among internet entrepreneurs. Twitpay, Obopay and Square, are just three of those reported recently in Wired magazine, many of which use mobile phones, which is especially important thanks to the rise of the M-PESA mobile phone payment system in Africa.

So you have to take any predictions along these lines with a pinch of salt. We have been here before; we will undoubtedly be here again. But the articles in this issue of IJCCR are evidence that this is one of those moments of possibility.

- The growing realization by local government in the UK, not just that they can act, but that they must do. Birmingham and Essex have already launched their own banks, Birmingham in a fit of nostalgia for the Birmingham Municipal Savings Bank which had 66 branches across the city until it was swallowed up into the belly of the Lloyds group. Oyster is the precedent here; an innovative payment system that is hugely popular.

All these look set to shift the agenda. None of them are complementary currencies, but they are potential drivers for them. But we also have to look at the other side of the coin, so to speak.

Despite the optimism that is bound to emanate from journals like this one, it is obvious that – time after time – even the successful currencies tend to rise and fall without quite reaching their potential. Even those like Regiogeld that are described in this issue are not exactly thriving. The upsurge in Japanese currency experiments, some of them bizarre gimmicks to Western eyes, seems to be slackening.

It hardly needs saying, but there are a whole range of blockages which constantly prevent innovation in this area, even if it is just the simple lack of imagination which seems to surround the fearful issue of money.

This is a particular problem in the UK. This isn't necessarily so of the Scots, who have produced a string of money innovators from John Law to Michael Linton, but the English are conservative about money that the point of caricature. I was told by the Washington correspondent of a national paper some years ago, with great authority, that money was based on gold. Politicians are hampered dealing with the banks by the widespread assumption they seem to share that money and banks were shaped and given by God some time during the

first seven days of creation. It hardly needs saying that this gets in the way of new kinds of money.

If you add to this the two other big blocks on the development of complementary currencies – the lack of precedent and the way that UK local government has recruited for blind obedience to process over the past generation or so – and there is a problem. There are a whole range of energetic and innovative groups developing new kinds of money in the UK, but a dispassionate observer would have to say that real innovation is more likely to take place somewhere else.

There is one more problem which constantly frustrates the process of innovation. The truth is that the people who are most excited about new kinds of money tend not to be the people best suited to launch them. They are enthusiasts and mavericks, not bank managers or marketers. They are excited by complexity when what is badly needed, above all else with new kinds of money, is simplicity. They want to solve the entire monetary problem at one stroke with one highly complex invention, when the truth is that what is really needed is a whole range of innovations which – together – might make a difference to the way we live.

It isn't possible to predict where that right combination of skills, inspiration and downright need will happen. But I believe it is possible to say the sectors where this most likely to happen here in the UK:

- **Council money.** Local authorities will have the legal power, under the Localism Bill, to anything that an individual can that is not specifically banned by other laws. This general power of competence, combined with the urgent need for them find new ways to invest and use their reserves (high-interest Icelandic banks are inexplicably no longer available) make councils a key target for entrepreneurial currencies. This is especially so since they have lost an average of 14 per cent of their budget. Complementary currencies could make the other 86 per cent go a great deal further.
- **Credit money.** What the small business sector urgently needs is low cost credit, which they are no longer getting from conventional banks. The real opportunity for complementary currencies is to make this credit available, and it is hard to imagine them really capturing the imagination until they manage to do this. That is the direction of travel for the Transition Town currencies, and it won't come a moment too soon.
- **Business barter money.** My own prediction is that these previous two possibilities will combine in the form of local authority-led business barter currencies along the lines of the Swiss Wir model or Bavarian Sterntaler (see Christian Thiel's article in this issue), and starting in cities. Australia and North America already has small business barter, so there is an

obvious gap here – especially if combined with loans through a new local authority bank.

- **Social networking money.** I can imagine Facebook money, shared between friends – or at least those virtual friends who need something more than simple trust. The online communities already exist and are crying out for a purpose beyond themselves. The point about this innovation, like other successful internet innovations, is that it must be flexible enough for communities or neighborhoods to use it in whatever way suits them best.

Will this happen? Well, I'm an optimist. I believe it is that if you build these, people will come. Whether they will use them as intended, or obey the complex rules, well – that's another matter.

David Boyle is a fellow of the New Economics Foundation, co-founder of Time Banking UK, and the author of a number of books about the future of money including *Money Matters* and, most recently, he is co-author of *Eminent Corporations*.

www.david-boyle.co.uk

Endnotes

¹ Quoted in D Boyle (2002) (ed.), *The Money Changers: Currency reform from Aristotle to e-cash*, Earthscan, London, 240.

² I Fisher, H Cohrssen and H Wescott Fisher (1933), *Stamp Scrip*, Adelphi, New York.

³ See www.hyperion.co.uk.



Classifying “CCs”: Community, complementary and local currencies’ types and generations

Jérôme Blanc

Associate professor, Lyon University member of the LEFI Research Centre (Laboratoire d’économie de la firme et des institutions)

Jerome.Blanc@univ-lyon2.fr

Abstract

Since the emergence of “CCs” thirty years ago, attempts to build typologies and to name things properly have always been disappointing, as if the very object of the analysis escaped from any rigid classification. Even the terms “complementary currency”, “community currency” and many others are not considered similarly; as a result, there is no common typology shared by scholars, activists and observers, beyond a series of general considerations clearly distinguishing specific items between CC schemes. This paper presents a novel attempt to classify and categorise CCs in a way which looks to future developments, while capturing the diversity of historical origins. The ideal types of community, complementary and local currencies let the possibility of combinations able to analyze concrete forms of non-national and not-for-profit currencies. The teleological exclusion of sovereignty and, more important, profit motives must be emphasized. The present typology states that for-profit currencies are of another nature than CCs, and it draws up an ideal-type of CCs built around a democratic participation principle organized around non-profit organizations, grassroots organizations or informal groupings of persons.

1. The problem of naming and classifying

Since the emergence of “CCs” thirty years ago, attempts to build typologies and to name things properly have always been disappointing, as if the very object of the analysis escaped from any rigid classification. A major problem that arises with regards to CCs is the obsolescence of previous typologies, due to rapid innovation and the weakening of borders (technological, juridical, political, ideological...) that seemed unlikely to be broken down.¹ Even the terms “complementary currency”, “community currency” and many others (with language specificities in English as well as in other languages – for example, in Latin language-speaking countries, something like “social money” is frequently employed) are not considered similarly by activists, scholars, policy-makers or users. As a result, there is no common typology shared by scholars, activists and observers, beyond a series of general considerations clearly distinguishing specific items between CC schemes. Whether this raises a major problem or not deserves reflection, since the diversity and the innovation dynamics of CCs are not constrained by the lack of

commonly shared typologies – on the contrary, they might be facilitated by it. One could add that building a typology requires first to state the precise objectives of it; different objectives may lead to different typologies (Blanc, 2009).

Under this respect, the English acronym “CC”, which can be found in the very title of this journal², can serve as a quite suitable meta-name, because it has the ability to hide and go beyond the conflict between those who think in terms of “community currencies” and those who think in terms of “complementary currencies”. Unfortunately, we do not observe the same use of a meta-name in other languages (at least in Spanish and in French), which would be able to transcend conflicts and almost gather, in a single term, very distinct, and evolving, schemes.

The present short paper aims at proposing ways to build typologies in a flexible framework, able to include further developments of the matter. Section 2 discusses the principles of a CC typology. Section 3 proposes a distinction between local, community, and complementary currencies, based on the schemes’ projects. Section 4

International
Journal of
Community
Currency
Research

www.ijccr.net

distinguishes four generations of CC schemes, and section 5 concludes.

2. Principles of a typology

In 2006, the Workgroup on Solidarity Socio-Economy supported by the Charles Léopold Mayer Foundation for the Progress of Humankind (FPH) set up a Social Money Workshop Facilitation Committee, whose coordination was assumed by Stephen DeMeleunaere. This committee attempted to explore "the Typology and Terminology used when discussing mechanisms" and intended to set "the outline of a common typology for the mechanisms of exchange systems" (DeMeleunaere and Blanc, 2007). The general conclusions are worth repeating here, because they help understand the basis on which a general typology should be built.

First, a typology of items must be distinguished from a typology of systems. While the first one consists in a list of a series of elementary items of every system allowing to identify variations (for example, choices with regards to currency issuance backing), the second one consists in combining elementary items, thus identifying relevant systems. The problem is then to build relevant sets of items making a system. Second, the Social Money Workshop Facilitation Committee report validated the principle of a general typology of money systems rather than a specific typology of CCs. Under this viewpoint, CCs do not necessarily appear different in their nature from current money systems. They can be either similar in their nature (thus distinct in their extent or their scope), or different (if it can be shown that crucial distinctive features make a difference in their very nature). Third, a typology should not be built in order to classify observations – as a lepidopterist does; it should be flexible enough to let space for innovation through the development of new systems.

As a conclusion, a typology should be opened enough to let innovations develop: a given typology cannot claim to be the only relevant one, and it might be permanently discussed and transformed (DeMeleunaere and Blanc, 2007). One possible conclusion is that there is no easy way of building a common typology, unless its purpose is made clearer. If there is a need of building relevant typologies in order to feature in a clever way the diversity of existing cases, replacing existing typologies by a single one

"One possible conclusion is that there is no easy way of building a common typology, unless its purpose is made clearer."

appears to be vain. Eventually, building a new one should not close the door to counter-typologies, and should not be presented as the only possible one.

The difficulty is surely not to be underestimated. For example, Kennedy and Lietaer's discussion on typologies starts with a typology of CCs according to their purposes, but they fail to deepen it in a sufficient way, and eventually discuss more thoroughly a series of elementary items: their form, their function, the way they are issued, the way their costs are covered (Kennedy and Lietaer, 2004). The Social Money Workshop Facilitation Committee report itself failed to draw up "the outline of a common typology for the mechanisms of exchange systems", by proposing only a series of reflections with an account of a typology of items (DeMeleunaere and Blanc, 2007). In a previous work, I tried to go beyond items by centring on CCs organizational choices (Blanc, 2009). I defined a set of five coherent schemes according to the compatibility of their choices to their objectives. This attempt did not lead to the definition of rigorous criteria for a typology. Other difficulty to be addressed, typologies too often consider CCs through fish-eye lenses, gathering every non-national currency under the same banner.

3. Ideal types according to projects

As a consequence, the present proposal states that one should not be focused on items (series of simple choices to operate between possibilities, for example between various forms of means of payment) but rather on projects. Projects may be defined by a general philosophy and general purposes; there are also characterized by their designers. The general philosophy of the systems, that is guiding principles and values, is indeed a first major orientation of the way systems will be built. Karl Polanyi distinguished three institutionalized principles of behaviours characterized by specific social relations and institutional patterns: exchange (possibly organized through a self-adjusting market principle), redistribution and reciprocity

(Polanyi, 1957). This conceptual toolbox is sometimes redefined in market, State and community. State may refer to every territorial level, from municipalities to national or federal levels. This gives criteria to analyze how the dominance of one of those principles and a set of hierarchical combinations between them shape monetary systems. Beside guiding principles and values, a monetary system is built in order to address general purposes. For example, the general philosophy of social reciprocity and the general purpose of inter-generational solidarity lead to build time banks, wherein market prices and behaviours are let outside, by refusing any parity and convertibility between the internal currencies and the official currency.

Under this respect, this section proposes a distinction between three sorts of projects that constitute the very root of currency systems of any kind: a territorial project, primarily centred on a geopolitical space; a community project, primarily centred on a pre-existing or an ad hoc community; an economic project, primarily centred on production and market exchange activities (Table 1, below).

This tripartite classification of projects, however, does not take the nature of designers into account. In order to refine this typology, one should distinguish between three main sorts of designers and implementers. This third criterion has a great importance indeed, since it emphasizes the currency project's background and make precise the way it can be orientated. Designers and implementers may be governments or the permanent organization of State services, pursuing a political motive; they may be capitalist firms, pursuing a profit motive; and they may be non-profit organizations, grassroots organizations or informal groupings of persons, pursuing a civil motive with democratic participation principles.

This framework helps identify three ideal types of currency schemes: (1) local currencies (territorial projects), (2) community currencies (community projects) and (3) complementary currencies (economic projects). Nevertheless, two cases should definitely be removed from an analysis of CCs, at the margins of local currencies and complementary currencies. National currencies, that is money defined and organized by a national or federal sovereign power in a pure sovereignty framework, cannot be considered CCs. Currency schemes

established by firms for their own profit should be considered outside CCs as well: this is the case of most of so-called "barter" systems as well as most of customer loyalty rewarding schemes, which intend to capture the purchasing power of their customers. While the exclusion of the first ones is obviously acknowledged by observers, the second ones are more barely excluded from the field of CCs. Actually, sovereignty as well as profit motives do not respect what can be considered a series of major distinctive feature of CCs: they are designed and implemented mostly by civil society, mostly locally and grassroots, and mostly in a democratic way, emphasizing the citizen's appropriation and redefinition of money in a participative process.

The foregoing ideal types constitute the basis on which actual CCs can be classified, be they pure or not regarding those types. Considering this impurity of actual systems helps understand why the way we name things cannot be simply solved.

A first type of non-national and not-for profit currency schemes primarily pursues a territorial purpose, aiming to affect monetary relations in a geopolitically-defined space. This emphasizes the role of territorial actors and activities when building such a scheme, and the desired outcome of local resilience or development. They are not oriented toward a sovereignty purpose; on the contrary, they are fully respectful of the national monetary sovereignty. In any case, they serve first the purpose of defining and strengthening a territory and, eventually, the public local authority which claims for a form of control on this territory. This focus on the role of a controlling centre which pumps out money and simultaneously captures resources reflects a redistribution process. For they pursue firstly territorial purposes, those schemes can be thought and implemented with loose reference to community and economic issues. Those currencies can be coined local currencies. Close examples include the Argentinean provincial currencies, some of which circulated from 1984 to 2003.

A second type of currency schemes primarily pursues a community purpose. Under this respect, they regard social spaces, defined by sets of actors (or social networks). This second type emphasizes the construction of well-being, empowerment, autonomy and social exchanges of a given community. This community may be

pre-existing, or, more surely, generated by the currency scheme itself. This includes social services and self-help, as well as environmental services for a community. Reciprocity is the guiding principle of this ideal type. It is implemented by non-profit organizations, and sometimes by informal groups. Communities are potentially independent from any territorial dimension, and they can be conceived without any reference to economic rationales. Those currencies can be coined community currencies. Close examples include time banking schemes.

Currency schemes that primarily pursue an economic purpose constitute a third type. They are built with regards to economic spaces, defined by sets of actors and economic activities from production to exchange, mostly considered as ruled by market principles. Market exchange is thus the guiding principle of this currency type. However, this does not imply that they are implemented in a lucrative purpose, since they can be implemented by non-profit organizations, which develop action toward what they consider to be general interest. This emphasizes the particular purpose of influencing sets of economic activities: aiming at their protection (through a

form of protectionism allowed by the use of a convertibility rule that restrains outflows), their stimulation (through the constraint of local use of the currency), their (re-)orientation (through specific rules stimulating, for example, environmentally oriented practices). This type can be thought completely outside territory issues and community issues. Those currencies can be coined complementary currencies. Close examples include German regio schemes.

4. Moves: generations of schemes

Let us focus now on currency schemes that emerged and developed since the dawn of LETS in the beginning of the 1980s. We propose a second level of typology, distinguishing four generations, each combining in a different way the three previous ideal-types. These generations are characterized by a specific monetary organization and specific relationships with the socio-economic world and with governments (local or central) as well. They emerge through innovation processes. They overlap, since the emergence of a new generation does not put an end to the former; and they are progressively transformed, since a

Table 1:
Ideal-types of
currency schemes

| Nature of projects | Space considered | Purpose | Guiding principle | Denomination (English / Spanish / French) |
|----------------------|--|--|-------------------------------------|---|
| “CCs” | | | | |
| Territorial | Geopolitical space (territory politically defined) | Defining, protecting and strengthening a territory | Redistribution or political control | Local currencies / Monedas locales / Monnaies locales |
| Community | Social space (pre-existing or ad hoc community) | Defining, protecting and strengthening a community | Reciprocity | Community currencies / Monedas sociales / Monnaies sociales |
| Economic | Economic space (production and exchange) | Protecting, stimulating or orientating the economy | Market | Complementary currencies / Monedas complementarias / Monnaies complémentaires |
| Outside “CCs” | | | | |
| Territorial | Sovereign space | Sovereignty | Redistribution or political control | National currencies / monedas nacionales / monnaies nationales |
| Economic | Clients of a for-profit organization | Profit | Purchasing power capture | For-profit currencies / Monedas para lucro / Monnaies à but lucratif |

generation may be regenerated by innovation (Table 2). Each generation includes a series of experiences often related to each others, while each generation entertains links with experiences from previous ones and provides models, positive or negative, for future ones.

A first generation of CC schemes appeared with the LETS model in the 1980s. It has been very dynamic up to the second half of 1990s. Big (national) networks emerged, some being structured around a specific organization (Lets Link UK in the UK, Selidaire in France...). The model was exported from country to country by activists, but grassroots innovation played their role in the appropriation of the model and differentiation within it. They are mainly "mutual credit" systems (money is created in the very time of exchange). However, paper currencies were also implemented, either during clearly defined and regulated short periods of exchange (e.g. SEL), or as the very principle of this currency, as shown by the case of the Argentinean trueque (money is issued before exchange and as a precondition of it).

"We propose a second level of typology, distinguishing four generations, each combining in a different way the three previous ideal-types. These generations are characterized by a specific monetary organization and specific relationships with the socio-economic world and with governments (local or central) as well."

While time is frequently considered as a guide for exchange value, it is not the only one and it sometimes totally disappears. The crucial point is currency inconvertibility (though fraud is possible with paper currencies). This does not prevent the co-use of currencies (transactions paid by a combination of internal and national currencies), especially when existing formal small enterprises or shops are included in the scheme. However, those schemes are characterized by the weakness of partnerships or even relationships with such formal economic activities, as well as with local governments. They mostly refer to community currencies established by local non-profit organisations that aim at providing the means (reciprocity) to satisfy needs that are unmet by market activities or public services. In some cases, however, there has been some place for market exchange or, at a lesser extent, for public partnerships and logics. Observations on

schemes of this first generation generally show a rapid extent in a first time, followed by consolidation and disillusion, sometimes leading to failure with death in the media – a process that has not been confined to the extraordinary case of the Argentinean Trueque. Recovery remains possible through socio-economic crises and, more seriously and durably, through innovation, as shown by the success of the South-African CES since the beginning of the 2000s.

Pure time exchange schemes constitute a second generation of CCs. Whereas the Japanese Fureai kippu dates back to the seventies), one can consider that this generation starts with the emergence of time dollar schemes at the end of the 1980s in the US, since they have been replicated and adapted in different contexts and various countries. Other schemes like the Italian Banche del tempo where thought independently from Edgar Cahn's model. Time schemes are purely community currencies, built on the central criterion of multilateral reciprocity. Reciprocal exchanges aim at providing help to the elderly, to the sick, to women as well as to any persons in want of help and in capacity to provide services. They are purely mutual credit systems wherein services are valued with time. As schemes providing help to people in a complementary way with social programmes, they frequently develop partnerships with local governments or socially oriented foundations, and they are sometimes directly implemented by local governments. The Accorderie scheme from Quebec (Canada), that has been implemented since 2001, re-invents pure time schemes, by adding microcredit and grouped purchases possibilities to the time valuation principle of reciprocal exchange.

Third generation schemes start with the Ithaca Hour experience in 1991, which derives from the LETS model. During the 2000s, they have been boosted by the emergence of German regio schemes (like the Chiemgauer), Brazilian community banks and currencies (like Fortaleza's Banco Palmas) and US BerkShare's success. Implemented in an obvious economic purpose, they constitute complementary currency schemes; having a their territorial ambition, they are local currencies as well. They are generally implemented by non-profit organizations and sometimes around a local cooperative or community bank (if they were implemented by local governments themselves

aiming at protecting or stimulating their territory, they would be local currencies). A fixed rate links the complementary currency to the national one, and convertibility rules are settled. Currency issues are backed by national currency reserves, contrary to the first and second generations schemes where no backing is required because of the inconvertibility principle. Inflows (ie conversion from national currency to complementary currency) are possible, and even promoted through a bonus rate, whereas outflows are formally impossible (Ithaca Hour) or deterred by conversion costs (Regio). Complementary currencies of this generation are useable in the current economic sphere, with the principle of co-use with national currencies. They aim at dynamizing local economic activity by re-localizing a series of daily consumption expenses. The success of those schemes requires thus the inclusion of small local enterprises and shops, and sometimes bigger ones. Partnerships with local governments may play an important role in this success, especially when local taxes can be paid with complementary currency or when local public services can be accessed with it.

Rotterdam's NU scheme in 2002-03 has been a forerunner of a fourth generation that seems to be progressively emerging. Schemes of this new generation are constituted by multiplex projects where local governments play a major role. They combine several objectives that were kept separate up to then, and they focus on

environmental issues more than never before. Multiplexity leads to costly projects that are difficult to engineer and that require a complex governance. Local governments, enterprises (from small ones to major firms), non-profit organizations, national programmes and, in the European Union, European programmes, have to be gathered around those projects. An experimentation phase appears to be necessary before launching the project on a larger scale. The NU project aimed at inciting sustainable behaviours through the distribution of a complementary currency in relation with those behaviours: local or organic product consumption, fair trade, waste recycling... The French SOL programme, implemented since 2007, is another case of fourth generation scheme whose architecture is notably complex. It combines a loyalty card for sustainable consumption close to commercial loyalty schemes, a rewarding scheme for voluntary action close to the first and second generations of CC schemes, and a redistribution scheme.

5. Conclusion

The classification attempt in this text appears to be flexible enough to ensure the possibility of a dynamic view of currency schemes. The ideal types of community, complementary and local currencies let the possibility of combinations able to analyze concrete forms of non-national and not-for-profit currencies. The

| Generation | Significant cases | Currency scheme types | Guiding principle | Content overview |
|------------|--|-------------------------|--|--|
| G1 | LETS, trueque, CES | Mostly community | Reciprocity first; various distance to market | Inconvertible schemes; quite small openness to external economic activities |
| G2 | Time banks, Accorderie | Community | Reciprocity first; various distance to local governments | Inconvertible schemes with time currencies; frequent partnerships, especially with local governments |
| G3 | Ithaca Hour, Regio, Palmas, BerkShares | Local and complementary | Market first; generally distant from local governments | Convertible schemes; local businesses are included; interest of partnerships with local governments |
| G4 | NU, SOL | Mostly complementary | Market first, with links to governments and reciprocity | Complex schemes oriented toward consumer responsibility or / and economic activities re-orientation and other purposes; partnerships are necessary |

Table 2:
Four CC
Generations since
the 1980s

teleological exclusion of sovereignty and, more important, profit motives must be emphasized. It is frequent, indeed, to consider for-profit currencies along with CC schemes, stating that they all refer to non-national currencies and, thus, that they are all "complementary". The present typology states that for-profit currencies are of another nature than CCs, and it draws up an ideal-type of CCs built around a democratic participation principle organized around non-profit organizations, grassroots organizations or informal groupings of persons.

Identifying CC generations avoids any closed typology and leads to focus on the actual dynamics that emerged in the 1980s and never stopped since then, although their extent, their forms and, overall, their projects, evolved rapidly. New generations should emerge in the coming years and decades, either through the spreading of already existing schemes like Strohalm's C3, or through new combination of existing schemes or of basic items, or eventually through critical innovations like the "free currencies" attempts. The future evolution of CCs is certainly linked to technological progress (with the use of internet and mobile devices), to their acknowledgment as a key element of public policies, and to their use as a tool for environmental solutions.

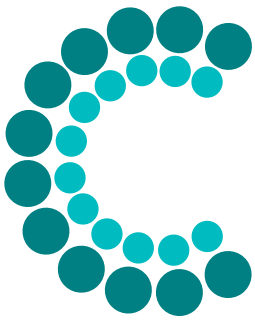
Endnotes

¹ Since the mid-1990s, for example, the Internet provides the ability to create community schemes whose actual limits are totally disconnected with national borders. Other example, while in France the first attempts in the 1990s were built in the fear of illegality with reference to an ordinance of the end of 1950s, this fear seems to have disappeared at the end of the 2000s with the spreading of several paper currencies projects and programme

² Symptomatic of this difficulty (if not conflict), the original title of the journal refers to "community" whereas the Call for papers for a special edition, 2010, deals with "Current Developments in Complementary Currencies".

References

- Blanc Jérôme (2009), "Contraintes et choix organisationnels dans les dispositifs de monnaies sociales", *Annals of Public and Cooperative Economics*, 80(4), pp. 547-577.
- DeMeleunaere Stephen and Blanc Jérôme, "Systems – Mechanisms", in : DeMeulenaere Stephen (Coord.), (2007), *Social Money Workshop. Facilitation Committee Report, 2006-2007*, Fondation pour le Progrès de l'homme, Paris.
- Kennedy Margrit and Lietaer Bernard (2004), *Regionalwährungen. Neue Wege zu nachhaltigem Wohlstand*, München: Riemann Verlag. Translated in French : *Monnaies Régionales : de nouvelles voies vers une prospérité durable*, Paris: Editions Charles Léopold Mayer, 2008.
- Polanyi Karl (1957), "The Economy as Instituted Process", in: Conrad Arensberg, Karl Polanyi and Harry W. Pearson (Eds.), *Trade and Market in the Early Empires. Economies in History and Theory*, New York: Free Press, pp. 243-270.



IJCCR

On the money: Getting the message out

John Rogers

Value for People

john.rogers@valueforpeople.co.uk

Abstract

Complementary and community currency systems have been started all over the world. There are a number of critical success factors, one of which is education. There are many important reasons for educating people about community currencies, including practical, economic, social, ecological, political and psychological ones. Key audiences for messages about community currencies are participants, designers, administrators and public decision makers. Promoters have adopted a range of strategies to educate people who design, use or support these systems: books & articles, design guides, research summaries, general advice & information, videos, conferences, webinars (internet seminars), internet discussion groups and training. More coordinated and strategic support of these efforts would enhance their effectiveness.

"In theory, there's no difference between theory and practice; in practice, there is."

Yogi Berra, Baseball Coach

Lessons of experience

There have been thousands of experiments with community currencies around the world over the last few decades. Estimates vary as to the number of active systems but most systems that are started do not become sustainable. Many currencies have not established themselves beyond a relatively small group (typically less than 200 participants) and many systems are moribund. A few have established themselves and attracted a lot of attention.

It is important to analyse and disseminate the lessons from both success and failure to encourage a new generation of sustainable systems.

Critical Success Factors

The few systems that have lasted a long time show that it is possible to sustain a local currency over a long period.

Critical factors for the success of the currency include:

- Choice of currency design to suit local conditions and goal
- Cost recovery mechanisms to ensure sustainability of the system itself
- Governance structures and processes for decision making and conflict resolution
- Management structures and processes for day to day efficiency
- Marketing and PR
- Education and training.

You may have a well-chosen design, recover all costs, have great governance and management but if no-one knows about your system, understands why you are doing it or how it works, then you may be wasting your time.

This paper focuses on the role of educational strategies in improving the practice of community currencies.

International
Journal of
Community
Currency
Research

www.ijccr.net

Why Educate about Community Currencies?

There are several reasons for educating people about community currencies:

Practical reasons

If we want to improve the sustainability rate of community currencies, we need to raise skill levels both for designing and participating in them. It is still too common for people with little knowledge to launch new currencies, riding a short wave of enthusiasm and idealism, but later watching their system disappear as the bigger waves of long-term maintenance break over them. People need skills and information for design and organisation.

Economic reasons

The recent financial crisis has shown the vulnerability of the 'real' economies of goods and services to the speculations of the global casino economy. Community currencies provide local financial instruments that can be integrated into other social economy mechanisms like community banks, credit unions and social enterprises to provide local economic stability. They give people tools to help themselves and their communities economically. People need to understand the economic dimensions of community currencies.

"If we want to improve the sustainability rate of community currencies, we need to raise skill levels both for designing and participating in them"

Social reasons

Community currencies help communities suffering from the 'externalities' of the market economy: community breakdown; crime; drugs; isolation etc. They create a kind of immune system to protect the community in hard times. People need to explore the social effects of community currencies.

Ecological reasons

A monetary monoculture dominated by a handful of powerful national currencies has the same effects as mono-cropping in a landscape – extreme specialisation and efficiency at the price of resilience in the face of challenges. Monetary diversity mirrors ecological

diversity: the richer the bio-diversity, the more resilient the whole system. This monetary diversity also supports real ecological diversity by enabling local communities to mobilise people to do essential conservation work and maintain environmental projects. People need to grasp the ecological benefits of community currencies.

Political reasons

Very few decision makers have heard of community currencies. If community currencies are to migrate from the periphery into the mainstream, then we need to get better at collecting the evidence for effectiveness and lobbying those in power to integrate community currencies as a tool for delivery of both social and economic development policy.

Although participation in community currencies has been relatively limited, the small evidence base we have shows clear benefits to a few heavy users. We need to spread knowledge about their benefits to increase pressure for positive social and economic change.

Psychological reasons

Participants often comment on the different 'feel' of participation in a locally owned and managed, interest-free money system. Educating about community currencies helps us to see how these mechanisms can play a role in our personal and community economies of exchange.

Audiences and Messages

The key audiences for messages about community currencies are:

- Actual and potential participants
- Designers of new systems
- Organisers and administrators
- Funders and public decision makers.

The specific needs of each of these groups is discussed below.

Actual and Potential Participants

We need to demonstrate the benefits of community currencies to potential participants and supporters. At the same time we need to highlight the practical challenges of designing,

organising and administering them to designers and managers of systems.

Participants need enough knowledge to be able to take part and integrate use of the currency into their daily lives. It should be easy to use and it should help them to solve their problems, meet their needs and achieve their goals.

WHAT WORKS: good website and flyers; motivating messages in simple language; new member events; regular social events; simple training; special offers.

WHAT DOES NOT WORK: ideology & preaching; technical or academic language.

Designers of new systems

Designers need to be familiar with design features and options to ensure that systems are designed to meet participants' goals and take them where they want to go. They need to take a whole systems approach to community currency design, embedding the technical design process in a community development process that engages potential users early on. They need to be clear about ends and open about the means of reaching them.

WHAT WORKS: internet discussion groups; design guides; specialised training; respect for a diversity of approaches.

WHAT DOES NOT WORK: ideology & preaching; mumbo-jumbo and mystification.

Organisers and Administrators

Organisers and administrators need to know what management tasks and challenges they will face and they need the skills of leadership and adaptability to local circumstances. They need to establish effective governance structures for resolving conflict and making strategic decisions.

WHAT WORKS: strong leadership team to share roles; internet discussion groups; specialised training; national support agencies.

WHAT DOES NOT WORK: parachuting in models from elsewhere without adaptation; one-man or woman bands who refuse advice or training; leaving structures and processes to chance.

Funders and public decision makers

Funders and public decision makers need to know what community currencies are, what specific benefits they bring to which groups and what evidence there is for effectiveness.

WHAT WORKS: both quantitative evidence (statistics for participation and trades) and qualitative evidence (real stories about benefits of participation); personal relationships with funders and civil servants; sending newsletters and bulletins.

WHAT DOES NOT WORK: ideology & preaching; technical or academic language.

Delivery Mechanisms

We need to develop targeted educational strategies to suit the information and skills needs of each group.

Some will prefer to read academic papers analysing the details of community currencies; others will want hard evidence of benefits before they back the idea; others will prefer to read articles in the local newspaper or a national magazine; others will just want to try it out and see what happens; others may want to engage in training.

Conclusions

Complementary and community currencies represent a decades-old, worldwide movement that is constantly evolving new designs and forms of organisation.

The outward variety can obscure the commonalities between systems: releasing local potential for wealth creation; sharing wealth locally; valuing people as assets; reciprocity; valuing and rewarding essential work. These common values and goals are essential messages that need to be clearly articulated and communicated to specific audiences – participants, designers, administrators and decision makers - using various languages and methods.

Promoters of community currencies have developed an impressive array of communication methods but a lot of it is sporadic, uncoordinated, inconsistently supported and not integrated with other social economy mechanisms.

Like all good entrepreneurial activities and innovations, community currencies depend on the efforts of a few maverick pioneers taking risks and getting support where and when they can. Barriers to development include lack of knowledge, time or money.

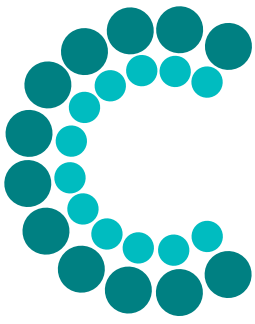
More coordinated and strategic support by funders and institutions for educational efforts - commissioning professional educational materials and making full use of the internet, multimedia and social networking - would help disseminate this great social innovation even further and enhance its effectiveness.

| Educational strategy or tool | Audiences | Aims | Delivery Agents |
|------------------------------|---|--|---|
| Books & Articles | Decision makers General public | Persuasion Information | Various authors: Bernard Lietaer: http://www.lietaer.com/ Margrit Kennedy: http://www.margritkennedy.de/ Thomas Greco: http://www.reinventingmoney.com/ Richard Douthwaite: http://www.postcarbon.org/person/36218-richard-douthwaite |
| Magazine | General public Designers | Information Share stories | Community Currency Magazine http://www.communitycurrenciesmag.net/dp/ |
| Design Guides | Designers Administrators | Specialist information | Community Currency Guide by Bernard Lietaer and Gwendolyn Hallsmith http://www.global-community.org/gc/newsfiles/25/Community%20Currency%20Guide.pdf The Lewes Pound How To Guide by Oliver Dudok van Heel: http://www.thelewespound.org/assets/docs/Lewes_Pound_How_To_Guide.pdf |
| Research summaries | Researchers Decision makers Policy analysts | Analysis Specialist information | International Journal of Community Currencies Research http://www.ijccr.net Bibliography of Community Currencies Research http://www.communitycurrencies-literature.de/1.introduction/ Community Currencies Research Group http://www.complementarycurrency.org/communitycurrenciesResearch.html |

Table 1: Educational Strategies and Resources for Complementary Currencies (continued overleaf)

| Educational strategy or tool | Audiences | Aims | Delivery Agents |
|------------------------------|----------------|-------------|---|
| General advice & information | General public | Information | <p>Complementary Currency Resource Center http://www.complementarycurrency.org/</p> <p>Time Banks USA http://www.timebanks.org/</p> <p>Time Banks UK http://www.timebanking.org/</p> <p>Time Banking Wales http://www.timebankingwales.org.uk/</p> <p>LETSsystems Home Page http://www.gmlets.u-net.com/</p> <p>LETS in Australia http://www.lets.org.au/</p> <p>LETSLink UK http://www.letslinkuk.net/</p> <p>LETS Link-Up http://www.lets-linkup.com/</p> |
| Videos | General public | Persuasion | <p>The Money Fix http://themoneyfix.org/</p> <p>La Double Face de la Monnaie http://mareauxcanards.ouvaton.org/films.php?choix_film=25</p> <p>Search for “community currencies” and “complementary currencies” on You Tube: http://www.youtube.com</p> <p>Videos about Time Banking: http://www.timebanks.org/videos.htm http://www.timebanking.org/</p> <p>Lyttleton Time Bank, New Zealand: http://www.lyttelton.net.nz/timebank</p> <p>Oliver Dudok van Heel talks about Lewes Pound http://transitionculture.org/2010/01/22/oliver-dudok-van-heel-on-local-currencies-transition-and-the-lewes-pound/</p> |

| Educational strategy or tool | Audiences | Aims | Delivery Agents |
|---------------------------------|--|---|--|
| Conferences | Designers Participants | Dissemination Networking | Various organisations e.g. USA, 2004 http://www.smallisbeautiful.org/local_currencies/2004_conference_report.html Germany, 2004 http://www.newmediaexplorer.org/sepp/COMMUNITYCURRENCIESurrencies_in_Europe2_2004.pdf New Zealand, 2009 http://www.transitiontowns.org.nz/node/1470 Annual Time Banking congresses c/o Timebanks USA and Timebanks UK |
| Webinars (internet seminars) | Enquirers Designers | Training Specialist information | Value for People http://valueforpeople.co.uk/letsmakemoney |
| Internet discussion groups | Enquirers Participants Designers Researchers Advocates | Share knowledge, experiments, updates and inquiries | CC Open Collective is a moderated online forum (skype chat): contact Les Squires (skype name: LSquiresSkype) Time Banks Forum http://forums.timebanks.org/ |
| Training | Enquirers Participants Designers | Training Specialist information | Time Banks USA http://www.timebanks.org/ Time Banks UK http://www.timebanking.org/ Value for People http://valueforpeople.co.uk/training |



IJCCR

Complementary Currencies in Germany: The Regiogeld System

Christian Thiel

University of Augsburg, Germany
christian.thiel@phil.uni-augsburg.de

Abstract

In several places in Germany colourful slips of paper replace the Euro as a medium of exchange. These unofficial tenders German Regiogeld, a phenomenon which occurred around 2001 and spread rapidly all over Germany. It appears not only with different names but also in various forms. The article introduces this special complementary currency. It describes briefly – and from a sociological point of view – what it is, how it has originated, the actual status quo and possible future developments. It is based on my 4 year ethnographic research which was done in the context of a sociological dissertation. For this article one of my results is particular important: Regiogeld is a phenomenon which originated in the fusing of different movements, a money-reform-oriented, an esoteric and several regionalization-oriented.

Introduction

In several places in Germany colourful slips of paper replace the Euro as a medium of exchange. These unofficial tenders are called Ammerlehtaler, Bürgerblüte, Dreyecker, Elbtaler, Gwinner, Havelblüte, KannWas, Landmark, Nahgold, Pälzer, Roland, Sterntaler, TauberFranken or Zschopautaler. We are talking about German Regiogeld, a phenomenon which occurred around 2001 and spread rapidly all over Germany. It appears not only with different names but also in various forms.

The article introduces this special complementary currency. It describes briefly – and from a sociological point of view – what it is, how it has originated, the actual status quo and possible future developments. It is based on my 4 year ethnographic research which was done in the context of a sociological dissertation. For this article one of my results is particular important: Regiogeld is a phenomenon which originated in the fusing of different movements, a money-reform-oriented, an esoteric and several regionalization-oriented. These movements form Regiogeld regarding its constructions and

its objectives, its organizational, financial and personnel resources.

What is Regiogeld?

Regiogeld (the German short form for regional money) is a special form of a community currency. It can be defined as a private monetary system with a regional validity and a non-profit-agenda which is accepted by multiple participants. It usually occurs as voucher and is provided with a demurrage (negative interest). This constant loss in value (5-12 % per year) is either realized via certain tokens which have to be purchased and glued on the vouchers every 3 months or via the chargeable replacement of the vouchers every (3 up to 12) months. The regional currencies have multiple purposes: they want to bind the regional purchasing power, strengthen the local economy, create more cooperation, increase sponsorship for non-profit-organizations, encourage the regional identity, help solidify social ties, reduce transport, enforce a sustainable and responsible consumers' behaviour and so on.

International
Journal of
Community
Currency
Research

www.ijccr.net

There are big differences in the construction of the almost 30 active regional currencies in Germany. One of the most important (and among the makers most controversial) concerns the question of value: some Regiogelder are backed by Euros, other are backed by goods and services.

Apart from these fundamental similarities, there are big differences in the construction of the almost 30 active regional currencies in Germany. One of the most important (and among the makers most controversial) concerns the question of value: some Regiogelder are backed by Euros, other are backed by goods and services.

In the Euro-based system a consumer “buys” the regional money with his Euros. Then he can purchase goods in one of the businesses associated with the system. The payee can either use it for his/her shopping or give it to the Regiogeld organization and receive the value in Euro currency in return. For this re-exchange most Regiogeld organizations demand a fee of 5 to 10 %. Part of this covers their expenses and the rest is donated to community charities. The advantages of this system are: it is easy to understand, with low-risk for the businesses (they can re-exchange the earned regional money to Euros) and – above all – it is charitable.

In the goods-and-services-based system the participating businesses assure by contract to accept the regional money at the same parity as Euros (or at least for a certain part of the purchase price). In this case the businesses give out the regional currency; the Regiogeld organization only provides the administration (implementation, controlling et cetera) and charges some fees for this service. Accordingly, the businesses can increase their financial solvency, because they more or less get the vouchers for free. However, this is difficult to convey. The businesses fear not to get rid of their Regiogeld revenues as there is no re-exchange in Euro. The consumers don't really have a profound reason to make an effort for Regiogeld as there are no charitable aspects connected with it.

Beside these fundamental elements of construction, there are several more differences concerning e.g. the rate of exchange, the scope of circulation, the design and denomination of the vouchers or the duration of validity. Many Regiogeld systems try to make something new and special like coins for collectors, inclusion of LET-systems, combination of Euro- and performance based systems, cashless payment procedures, electronic money, cooperatives, own shops et cetera. This great variety regarding the schemes construction, its organizational design, institutional embedding and ideological objectives leads to the question:

How did Regiogeld originate?

Regiogeld is based on the ideas of the German-Argentine economist Silvio Gesell (1862-1930). He proposed demurrage as a method of increasing both the velocity of money and overall economic activity. His Freigeld (free money) should rust and rot like all the goods and thereby be better and more efficient money (Gesell 1949: 13). Gesell and his followers pursued (without success) a political money reform and also implemented small scale local money experiments (Niederegger 1997).

The most famous took place in the Austrian town of Wörgl between 1932 and 1934. In the middle of the world economic crisis the mayor paid the salaries and wages of the public employees with local money. Due to the negative interest on it, it was immediately used to pay local taxes and fees. Shortly after, it was also accepted in local shops. Soon a circulation with a high velocity came into being. This allowed the municipality to finance several job-creating measures. The unemployment rate diminished drastically and Wörgl started to be a model for other crisis-ridden towns. But then the Austrian central bank, fearing for its monopoly for money creation, stopped the experiment (Fisher 1933; Onken 1997; Werner 1989: 88).

The Freigeld Movement was then prohibited during Third Reich and formed up again 1950 as a (marginal) political party. With their dogmatic and partly nationalistic argumentation they scared away the populace. This changed in the 1960s when the Freigeld movement mixed with anthroposophy and the

emerging new social movements (Bartsch 1994: 33).

Especially Anthroposophy as one of the most important and socially firmly rooted esoteric organizations in Germany had a deep impact. This resulted from the fact that anthroposophy has a similar concept for a money reform. The founder of anthroposophy, the Austrian Rudolf Steiner, called for “aging money” (Steiner 1919; 1922). Issued within an economic cooperation it should gain certain qualities (depending on its age) like buying money, lending money and – in the end – donating money (Steiner 1922: 137). The conjoint thought of decaying money helped combining both concepts in the idea of Regiogeld in which we e.g. find the Freigeld way of demurrage together with the anthroposophical assumption of democratic and charitable money.

More over the New Social Movements since the 1960s had profound effects on Freigeld. As the idea of rusting money diffused in ecology, peace, feminist, anti-capitalism and as a part of this regionalization movements, it absorbed their objectives. From now on Freigeld should be a medium for a self-determined, egalitarian, collaborative and sustainable life (Bartsch 1994: 278; Brand 1998: 34).

In the 1990s this “new” Freigeld was popularized mainly by the books of Helmut Creutz (1993) and Margrit Kennedy (1991). In these days the reports about different complementary currencies from all over the world (Lietaer 2002) enthused the Freigeld movement. The focus of many supporters turned away from a national money reform to small scale money experiments, especially LETS (Local Exchange Trading Systems).

Around the turn of the millennium after the emergence of a strong globalization critique (and interestingly together with the implementation of the European currency) the first Regiogeld schemes appeared – 1998 the “Phö” in Arnstadt (near Erfurt) and 2001 the “Roland” in Bremen. The real breakthrough however was in the year 2003 when Waldorf school teacher Christian Gelleri together with 6 schoolgirls started the “Chiemgauer” in the small Bavarian village Prien (Gelleri 2009: 65). Strongly supported by the parents the Chiemgauer was very successful. In consequence of the huge attention by the mass media many people from all over Germany

were enthused and wanted to create their own local money. Hence a congress was held and attended by 150 people. Due to the great interest accompanying the foundation of dozens of Regiogeld initiatives in Germany the “Regiogeld-Netzwerk” was established in 2003 to organize and initiate the exchange of knowledge. This network, 2006 institutionalized as registered umbrella association (Regiogeld e.V.), organizes meetings twice a year, provides manuals for beginners, cares for public relation et cetera – altogether it defines, devises and disseminates the idea of Regiogeld.

What is the status quo? ¹

According to the author’s research there are at the moment about 73 Regiogeld projects in Germany. Only 15 of them are not in the umbrella association and most of these are heavily marketing-oriented projects. 32 are in preparation, while 26 are active. Among these active projects 20 use the Euro-based-system, 4 use the goods-and-service-based system and the remaining 2 are hybrid systems. Altogether they emit an estimated amount of 700,000 to 800,000 Euros. However, 64 % of this belongs to the Chiemgauer whereas the average Regiogeld project has only around 10,000 Euros in circulation. ²

Also the number of participating businesses is strongly varying. Some projects have only a handful, others have hundreds. However, mostly fewer than 100 businesses participate in the average Regiogeld project. ³ This is in fact a problem, because – as a research project has found out – a Regiogeld project needs at least 200 vendors to provide a sufficient range of goods and services (Volkman 2008: 82). And not only the quantity, but also the quality of the businesses is important. In the goods-and-services-based systems mainly semi-professional businesses like alternative, esoteric and artistic services or quite specialised shops are found. So far only the Chiemgauer provides a sufficient range of products and at the same time an adequate spatial density of shops to really work out in daily life (Bickelmann 2009: 69).

But why is the Chiemgauer so successful? This question needs empirical investigation. So far only assumptions can be made. Firstly, the initiator is a man with entrepreneurial skills and a high commitment – for several years

now he works full-time for his project. Secondly, there is an efficient and manifold network of supporters in the region: the parents from the (anthroposophic) school where the Chiemgauer started, several local politicians, a bunch of social and cultural projects or clubs. Thirdly, the cooperation of the local bank gives the Chiemgauer money symbolic credibility and – even more important – offers structures (accounts, electronic payment) for the electronic Chiemgauer. The importance of this is illustrated by the fact, that already 70 % of the circulating Chiemgauer money is electronic. Fourthly, maybe the characteristics of the Chiemgauer region like the good economy, plenty of touristic attractions, the prevalent traditional social networks and the strong regional identity have their effect on the success of the Chiemgauer Regiogeld. But even despite its certain level of economic significance, the Chiemgauer still attracts more interest globally than regionally (Schroeder 2009).

It seems that despite extensive marketing, it is very hard for Regiogeld to achieve acceptance and therefore a significant penetration of the regional markets

Let's now take a short look on the overall structures of the average Regiogeld. The core of each system is mostly a small group of volunteers mostly from the educated middle class. They often meet at events

in the context of Freigeld, anthroposophy or regionalization movements. After gathering together they start working on their regional money system. Due to the complexity of this task the process from the first ideas to the actual money takes a long time, often one or two years. Because there is no ready-made system the makers have to create their own conclusive and also judicial elaborated concept. In this process of defining the currency's details a lot of conflicts can appear: Are 'bad' businesses, like discount shops, allowed to join the Regiogeld or should it be restricted to local producers? Should Regiogeld be a demonstration of a better monetary system or rather a medium to seal off and strengthen the "own" regional economy? Should it focus on increasing the businesses economic options or rather be a fundraising for charitable projects? The next steps are the creation of the

organization structure (mostly a registered association) and the vouchers (which has to be unforgeable). Then the Regiogeld has to be introduced to businessmen and consumers. For all this, a lot of time and money are required. But the number of institutional supporters is small: for political and financial actors Regiogeld is too "alternative", for many social volunteers it's too economical. Sometimes some support (also financial) comes from Local Agenda 21 programs. As a consequence the regional money systems remain on a rather small level. So far they attract mainly idealistic consumers and businessmen but don't reach the populace.

What does the future bring?

From 2003 to 2008, there was a kind of formation boom. Everywhere in Germany Regiogeld projects appeared. Since 2008 we have observed a certain slowdown and even the collapse of several initiatives. It seems that despite extensive marketing, it is very hard for Regiogeld to achieve acceptance and therefore a significant penetration of the regional markets. Especially in bigger cities and economically underdeveloped regions there's only little business volume with Regiogeld. Maybe Regiogeld needs existing (economic and social) networks while it hardly creates them. Hence, and also because it is very labour and money intensive, a sole Regiogeld will probably remain on a rather small scale level. But, some initiatives start developing structures in which Regiogeld is one of several instruments within an alternative and self producing regional cooperative. The Bavarian "Sterntaler" for example is (since 2009) organized as a cooperative which includes a small shop, a food producing permaculture garden, a private LETS, a commercial barter system and as the overall medium of exchange, a Regiogeld. The Chiemgauer has started in 2010 with a microcredit-approval-process. These approaches seem to have potential. And, even if the economic significance of Regiogeld remains rather small, one thing should not be forgotten: its existence makes alternative money thinkable and graspable.

Endnotes

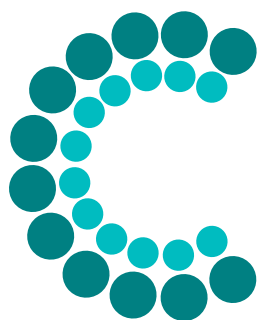
¹ Due to low professional and organizational level it is difficult to get actual and reliable data. The numbers presented here come from the Regiogeld umbrella association (Regiogeld e.V. 2010) and were updated with the latest available information from the various projects homepages.

² The following exact numbers are based on the ascertainable projects (N = 18): total amount of Regiogeld in circulation from all projects equates 788,506 Euros; arithmetic mean is 43,806 Euros and median is between 11,000 and 12,000 Euros. It's not easy to estimate how much turnover is created because it is supposed that Regiogeld circulates with a higher velocity than the Euro (Gelleri 2009: 64). The Chiemgauer reports to create a yearly turnover of 4 Million Euros with its 500,000 Euros in circulation (Chiemgauer 2010).

³ Exact numbers (N = 26) are: participating businesses range from 16 to 584; arithmetic mean is 100 and median is 62. 20 projects have less than 100 participating businesses, only 4 have more than 200.

References

- Bartsch, Günter (1994) Die NWO-Bewegung Silvio Gesells. Geschichtlicher Grundriß 1891 - 1992/93, (Gauke, Lütjenburg)
- Bickelmann, Annette (2009) Kleingeld. Monetäre Regionalisierung durch Regiogeld als Werkzeug im Regionalmanagement. Unpublished diploma thesis, University of Trier, Department of geography
- Brand, Karl-Werner (1998) 'Humanistischer Mittelklasse-Radikalismus'. In Hellmann, Kai-Uwe and Ruud Koopmans (Ed.) Paradigmen der Bewegungsforschung. Westdeutscher Verlag: Opladen; pp. 33-50
- Chiemgauer (2010), viewed August 17 2010, http://www.chiemgauer.info/uploads/media/Chiemgauer-Statistik_01.pdf
- Creutz, Helmut (1993) Das Geld-Syndrom. Wege zu einer krisenfreien Marktwirtschaft, (Verlag Mainz, Aachen)
- Fisher, Irving (1933): Stamp Scrip, (Adelphi Company, New York)
- Gelleri, Christian (2009) 'Chiemgauer Regiomoney: Theory and Practice of a Local Currency'. International Journal of Community Currency Research. Vol 13, pp.61-75
- Gesell, Silvio (1949 [1916]) Die natürliche Wirtschaftsordnung durch Freiland und Freigeld, (Rudolf Zitzmann Verlag, Lauf bei Nürnberg)
- Kennedy, Margrit (1991) Geld ohne Zinsen und Inflation, (Goldmann, München)
- Lietz, Bernard (2002) Das Geld der Zukunft: Über die zerstörerische Wirkung des existierenden Geldsystems und Alternativen hierzu, (Riemann Verlag, München)
- Niederegger, Gerhard (1997) Das Freigeld-Syndrom: Für und Wider ein alternatives Geldsystem, (Verlag für Ethik und Gesellschaft, Wien)
- Onken, Werner (1997) Modellversuche mit sozialpflichtigem Boden und Geld, (Varel, Oldenburg)
- Regiogeld e.V. (2010), viewed August 17 2010, <http://www.regiogeld.de>
- Schroeder, Rolf (2006) 'Community Exchange and Trading Systems in Germany'. International Journal of Community Currency Research. Vol 10, pp. 24-42
- Steiner, Rudolf (1919) Die Kernpunkte der sozialen Frage in den Lebensnotwendigkeiten der Gegenwart und Zukunft, (Rudolf Steiner Verlag, Dornach)
- Steiner, Rudolf (1922) Nationalökonomischer Kurs, (<http://www.dreigliederung.de/download/340.pdf> [06.04.2009])
- Volkman, Krister (2008) Regional - und trotzdem global. Solidarische Ökonomie im Spannungsfeld zwischen Regionalität und Globalität. Eine explorative Studie zu Regionalwährungen, (Lit Verlag, Münster)
- Werner, Hans-Joachim (1989) Geschichte der Freiwirtschaftsbewegung, (Waxmann, New York)



IJCCR

What have Complementary Currencies in Japan really achieved?

Revealing the hidden intentions of different initiatives

Yasuyuki Hirota

mig@olccip.net

<http://www.olccip.net>

Abstract

Japan has been regarded from abroad as one of the most developed countries in terms of CC systems, depicted by Kennedy and Lietaer (2004) as “the country in the world with the most systems in operation today, but also the nation with the greatest diversity of such experiments.” However, this paper argues that the lack of literature about initiatives in languages other than Japanese has been a hurdle that has not allowed Western researchers to grasp the real picture. This article’s goal is to show the historical development of CC initiatives in this East-Asian country, revealing how the very concept of having another means of exchange for communities has been transformed over years by the unique interpretations and the conceptual manipulation of Japanese promoters and practitioners.

Introduction

Japan has been regarded from abroad as one of the most developed countries in terms of CC systems, depicted by Kennedy and Lietaer (2004) as “the country in the world with the most systems in operation today, but also the nation with the greatest diversity of such experiments.” However, this paper argues that the lack of literature about initiatives in languages other than Japanese has been a hurdle that has not allowed Western researchers to grasp the real picture. This article’s goal is to show the historical development of CC initiatives in this East-Asian country, revealing how the very concept of having another means of exchange for communities has been transformed over years by the unique interpretations and the conceptual manipulation of Japanese promoters and practitioners. It is impossible to deal with all those systems which exist(ed) in Japan with so few words, so allow me to pick up the most relevant cases only.

A brief history of CCs in Japan up to the “boom”

The oldest CC system in Japan is the “Volunteer Labour Bank,” a mutual help network of housewives founded in 1973 by Teruko Mizushima and later Tsutomu Hotta, founder of Sawayaka Welfare Foundation,¹ applied this concept for elderly-care as “hour deposit system” in which the relatively young retired people provide cares to elder people really in need of help, depositing hours to be spent when volunteers become so old that they need similar aids. This practice was made internationally famous by Bernard Lietaer as “Fureai Kippu” in his different writings, but in Japan this system started to decline in 2000 when the public insurance system was introduced for elderly care.

Actually Fureai Kippu was not free from Japanese yen but in most cases used the official currency to back this system. One typical case charges the beneficiary 600 yen (US\$ 6.61)² per hour to pay the contributor 420 yen (US\$

International
Journal of
Community
Currency
Research

www.ijccr.net

4.63) and 120 yen (US\$ 1.32) worth of time deposit while the remaining 60 yen (US\$ 0.66) is spent for administrative purposes. Another one asks the volunteer whether he/she prefers to receive such an amount of yen in cash or coupon to be spent in the future when he/she needs some help for their life, but most volunteers prefer not to redeem because one hour of care is worth much more than the corresponding amount of deposit in yen. The deposit is actually below the minimum wage in Japan, so it is rather designed for volunteers who do not have to worry about their income but are concerned with the healthcare service.

The currency movement's boom in Japan was triggered by the success of a TV documentary called "Ende's Money-Go-Around", originally broadcast in 1999

There were other CC initiatives which had been set up already before 1999, such as Time Dollar Network Japan which was active between 1994

and 2007 and the Peanuts³ in Chiba (near Tōkyō), actually a LETS which started in February 1999. Although Peanuts is still working with some other activities, no statistics are available to trace its economic impact onto the community.

But it is safe to say that the CC movement's boom in Japan was triggered by a success of a TV documentary called "Ende's Money-Go-Around", originally broadcast on NHK BS-2 on 04th May 1999 and rebroadcast several times. This 60-minutes programme began with a testimony by Michael Ende (1929~1995), German fabulist famous for his works such as "Momo" and "A Never-Ending Story", mentioning Silvio Gesell, and different CC initiatives such as the stamp scrip at Wörgl, Austria, a Tauschring at Halle, Germany, Ithaca Hours at Ithaca, NY, United States and the WIRBank, the Switzerland, in addition to interviews to Margrit Kennedy and Bernard Lietaer.

This programme gave rise to the "boom" of CCs in Japan. A number of grass-root groups showed this video to teach more people the importance to use CCs and actually dozens of LETS and other sorts of CCs were born (baby-boomer-generation CC) as people were inspired by this documentary. A book titled as "Ende-no Yuigon" (NHK Publishing) was published in 2000 and is still referred to as one

of the textbooks on CCs in the Japanese language. The CC movement reached its climax in Japan in 2003 and since then started to decline gradually due to the reasons to be mentioned later.

Some Japanese CCs during and just after the "boom"

Toshiharu Katō's "Ecomoney": a CC promoted by a MITI bureaucrat

The "Ecomoney" has made significant footprints on the Japanese CC scene because it was designed, proposed and promoted by Toshiharu Katō, then director of the Service Industries Division at the Ministry of Trade and Industry (MITI)⁴, a ministry internationally acknowledged by its skill for economic planning such as Johnson (1982). Actually his involvement with CC began in 1998, even earlier than "Ende's Money-Go-Around," when he published his first book titled as Ecomoney, defines it as "a money in the 21st century which is an intermediary of a variety of soft information, such as the environment, caretaking, welfare, community and culture (sic)" (Kato (1998)), although details were not clear. At this stage he was exploring the chance to allow exchanges of commercial goods and services, accentuating its role as a stimulus for the local production and consumption, although his attachment to municipalities as spheres for CC was already firm, very different from Regio initiatives in Germany, for instance. Examples in which his "Ecomoney" would be used are given as follows:

- **In terms of the environment:** recycling, picking up garbage on the river, at the park and other public facilities or planting trees.
- **In terms of social work:** caretaking for the elderly, especially for those who suffer from the social exclusion by visiting them and listening to their talk
- **In terms of education and culture:** maintenance of local folklore, lessons on PC

His determination to use Ecomoney exclusively for such activities was reinforced in 2001 when he declared as follows in his book:

"As far as the relationship between the Ecomoney and the monetary economy is concerned, we should refrain from purchasing goods and/or services directly at the market in Ecomoney. The unlimited connection of the Ecomoney field (voluntary economy) with the

monetary economy would degenerate Ecomoney into another money and/or notes. There would also be some conflicts with the State's right to issue the currency as well as with the fiscal law system" Katô (2001)

This statement had some impacts on the Japanese society because of his position at MITI, making people believe that CCs should not involve real economy, and dozens of initiatives were born, either directly linked with the Ecomoney movement or independently developed but learning from Katô, with the sole aim to engage more volunteers to such activities. Both bureaucrats at different ministries and officers at municipal and prefectural level were happy to use such CCs because they could promote their social projects paying much less than they should, but very few projects went furthermore. Katô was active for Ecomoney up to 2005 when he promoted EXPO Ecomoney,⁵ a points system to promote eco-friendly products and services rather than stimulate self-sufficient local economies.

WATsystems⁶: total abolition of central authority

WATsystem was designed by Eiichi Morino, president of Gesell Research Society Japan (GRSJ)⁷ and allows anybody to issue their own currency as cheque, as the inventor believes that the very existence of central administration at LETS and other systems runs the risk of concentrating power on it. Anybody can download and print the format of WATSystem, fill it out and uses it for their payments, assuring that they will give this cheque's bearer the equivalent amount of goods and/or services.⁸ This cheque is circulated among those who trust the issuers (not necessarily those who know them well, because the list of recipients = endorsers enables people to trust them without having previous direct contact) and its

acceptance by the very issuers means that their "debt" to this community is "repaid."⁹

The biggest advantage of this system is the perfect absence of central authority, but disadvantages should be taken into account as well, such as requirement for receivers to check out issuers' trustworthiness and lack of availability for changes. It will not be an exaggeration to say that each one's cheque is worth differently from others. Some CCs have adopted such a system, but no data is available on the amount of transactions in such CCs.

MIAC CC initiatives: whom were they for?

Other examples of CCs were put into effect in 2005 by the Ministry of Internal Affairs and Communication (MIAC), in the guise to stimulate communities but with the real intention of implementing the infamous Residents' Basic Registration Network System (RBRNS) because it was necessary to have a RBRNS card to join such CCs, forcing Japanese nationals residing in Japan to acquire this card and excluding those without the Japanese citizenship (both residents and tourists) and Japanese citizens living abroad as RBRNS only deals with Japanese nationals living in Japan. In the fiscal year 2005 (April 2005-March 2006) MIAC implemented five RBRNS-based electronic local currency systems and each project spent between JPY 24.465 to 30 million (US\$ 269,000 to 330,000) to set up the infrastructure. This generated less than 1 million points = JPY 1 million (US\$ 11,000) at each project except Ama, Shimane where all local businesses accepted Hahn, its electronic local currency during the probation period (December 2005 and January 2006, except Aso, Kumamoto where the experimentation lasted from November 2005 to March 2006). In case of Beppu, Oita the running cost per year was estimated to be some JPY 4 million (US\$ 44,100) and it is doubtful whether the introduction of such an advanced technology was necessary or not from the economic viewpoint. However the absence of those who defy the leaders of these projects allows them to implement whatever may serve for themselves without having to worry about the cost-benefit analysis.



Figure 1: Example of a typical WATSystem note (front and reverse)

Recent currency schemes to emerge

Revival of old coins as local currency at Kan'onji, Kagawa

A local group at Kan'onji, Kawaga called Dopikan Kan'onji¹⁰ announced in February 2010 that from April local businesses at this city would start accepting Kan'ei Tsûhō, an already abolished coin which was technically a legal currency all over Japan from 1636 to 1953, as equivalent of 30 yen (about US\$0.33), although the market price of this coin among collectors is merely between 10 and 20

yen, with the aim to stimulate the local economy. They estimate that there are still millions of coins still stored at old warehouses all over the country and according to the news coverage even the Mayor of Kan'onji told optimistically that this measure will attract more tourists to this community who will enjoy a funny experience to spend those old coins as a means of payment. Local businesses will bring these coins to this group's office to change them into Japanese yen at the rate of 30 yen per coin, and it is only this convertibility which warrants this currency's value.

It is quite obvious that this local group is required to have a considerable amount of reserve in Japanese yen so that local businesses should join this initiative. No information has been released so far about the fund to back this outdated coin, but it is easily foreseen that this project will come to an end when Dopikan Kan'onji runs out of the fund, so this project is per se unsustainable.

Japanese promoters and practitioners have pursued different goals than their Western counterparts, resulting in a range of different - and sometimes bizarre - objectives and consequences.

Another important remark on this project is that the system is not designed so that Kan'ei Tsūhō should circulate among local businesses, because its goal is to attract more tourists to spend

this old coin, recognised there as a local means of payment as far as Dopikan has some reserve to pay for local businesses. It would be wise to interpret that their true intention is to have more outsiders who spend yen and that they came up with taking advantage of the idea of local currency as a way to advertise their community as tourist destination. This concept is quite distant from goals of other local currency initiatives with the aim to enhance self-sufficiency, but this is a reflection of what some Japanese really want from local currencies.

Back to the rice standard: another local currency at Toyota, Aichi

A joint enterprise coop called "Butsubutsu Kōkan Kyoku"¹¹ (BKK, "Barter Bureau" in

Japanese) started another initiative at Toyota, Aichi to issue a new local currency backed with brown rice. The currency to be given to volunteers at a food growing project is named as "Musubi," derived from the Japanese word "omusubi" (rice ball)¹² and each bill is backed with approximately 75 grammes (standard amount for a rice ball) of brown rice, rejecting to set an exchange rate between Musubi and yen.¹³ This coop also boasts that the demurrage is programmed with this system because the brown rice, collateral for this local currency, will lose its market value gradually because of its degradation over time.

The absence of the official rate between Musubi and yen symbolises its intention to promote yen-free barter as the enterprise's name suggests. While dozens of businesses accept this currency, the main goal to circulate it is to involve more people with the farming (as a way to promote Community Supported Agriculture) and businesses only plan to accept the amount of Musubis equivalent to the brown rice that they need. So the multiplier effect is overlooked and Musubi is regarded as a mere means to promote the bartering between labour at the project and brown rice without trying to create a self-sufficiency-driven regional economy.

Another fatal mistake of Musubi is that these bills are redeemable to brown rice only up to the end of October, the month of new harvest. This practice is contradictory to the original idea of demurrage, which does allow bills to circulate over time while it gradually loses its value, but the issuer does not care. Therefore the use of the word "demurrage" is rather a catch-word to attract people's curiosity than a theoretically-well-done design.

Conclusion

As this paper has demonstrated, it is true that Japan can boast an amount and variety of complementary currencies that cannot be found elsewhere in the world. Special attention should be paid, however, to the fact that Japanese promoters and practitioners have pursued different goals than their Western counterparts, resulting in a range of different - and sometimes bizarre - objectives and consequences.

Japan's biggest weak point in terms of CC is that it never accomplished to set up its national network of CCs due to hostile relationships among different group leaders, despite Sawayaka Foundation's humble efforts to establish it. They have vied each other instead of working together due to discrepancies in their belief and goals, impeding the share of experiences all over the country, let alone internationally.

Another crucial disadvantage is that very few people involved with CC in Japan are eager to stay in touch with international counterparts and therefore their information on CCs in the world is quite outdated. It is still quite common to find recent articles with sources and remarkable initiatives such as Chiemgauer and Banco Palmas are almost still unknown to Japanese CC practitioners. It is clear that such a picture has been giving negative impacts onto the development of CCs in Japan.

Endnotes

¹ <http://www.sawayakazaidan.or.jp/>

² All those prices in US\$ are calculated according to the exchange rate as of June 2010 for referential purposes.

³ <http://nishichiba.jp/> (in Japanese)

⁴ In 2001 MITI changed its name for METI (Ministry of Economy, Trade and Industry).

⁵ <http://eem.jp/jp/> (in Japanese)

⁶ <http://www.watsystems.net/> (in Japanese, English and German)

⁷ <http://www.grsj.org/> (in Japanese)

⁸ Theoretically speaking, nor the downloadable format is necessary to implement this system: all what is needed is that people agree to use these coupons as their means of exchange as Lietaer (2000) puts it.

⁹ The issuer gives only the right part to the trade partner after filling A (recipient's name), B (issuer's name) and date and stamping on the "cut here" line, keeping the left one as a reminder

¹⁰ <http://dopikan.jp/> (in Japanese)

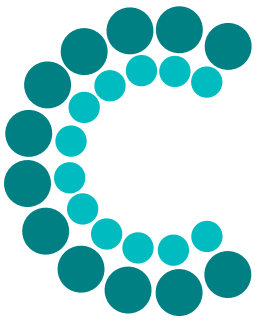
¹¹ <http://greens-net.com/butubutu/office/> (in Japanese)

¹² The standard Japanese word for "rice ball" is "onigiri", but "omusubi" is also used in some regions

¹³ At its website BKK announces to buy brown rice from producers at 800 yen per kilogramme, so a musubi would be equivalent to 60 yen on applying this rate.

References

- Johnson, Charlmers (1982) "MITI and the Japanese miracle," Stanford University Press, Stanford.
- Katô, Toshiharu (1998) "Ecomoney – from the big bang to humane society" (エコマネー: ビッグバンから人間に優しい社会へ), Nihon Keizai Hyôronsha, Tôkyô
- Katô, Toshiharu, (2001) "The new century of Ecomoney" (エコマネーの新世紀), Keisô shobô, Tôkyô
- Kennedy, Margrit and Lietaer, Bernard A., (2004) "Regionalwährungen," Riemann, Munich



IJCCR

Alternative Exchange Systems in Contemporary Greece

Irene Sotiropoulou

Department of Economics, University of Greece
isotiropoulou@econ.soc.uoc.gr

Abstract

This paper is a brief report of several schemes that exist today, September 2010, in Greece and permit their members to perform transactions without any official currency. The report covers parallel currency schemes, exchange networks and several related initiatives that could be characterised as alternative exchange or non-mainstream modes of economic activity.

Introduction

Parallel currencies are a recent phenomenon in Greece and are not the only non-monetary grassroots structure that has emerged in the country the last 5 years. This paper distinguishes various grassroots initiatives in a) parallel currencies, b) exchange/barter networks and c) free bazaars and free networks. To those categories, a *sui generis* scheme can be added, named “Money Back System”, also described below. One should bear in mind that particularly the parallel currency schemes are not supported by any authority. However some free bazaars or exchange networks have some support by local authorities, who provide municipal spaces or buildings to host fairs and meetings.

The Athens Timebank

The oldest parallel currency in Greece is a Time Bank run by the Greek branch of the European Network of Women,¹ which is a Non-Governmental Organisation focusing on assisting women who are victims of violence. However, the Time Bank is an activity totally

separated from the rest NGO activities, which means that anyone can participate and it is a rule that no-one will discuss whether any member has been connected to the other activities of the NGO (for the sake of confidentiality but also of the inclusiveness of the scheme).

The Time Bank was established in Athens, Greece, and started working in October 2006. The scheme follows the general structure of time banks, which is a “network” of individuals who are offering services to other members of the group. In reward, the member gains “time” so that he/she is able to ask for the other members’ services. The value of the services is accounted in time hours. The transactions and the time hours credited and debited for each participant are recorded in a computer with software created by a volunteer.

An important feature the scheme administrators have opted for is that of the time currency expiry date, e.g. the time hours gained expire six months after they have been gained by a member. The organisers expect that by setting an expiry date, the time currency will circulate efficiently within the scheme, instead of being accumulated by some members while

International
Journal of
Community
Currency
Research

www.ijccr.net

other members will stay without any task to do for time hours.

At the same time, if one does not want or does not have any need to spend his/her time hours gained, one can give the time currency to somebody else, even if that other person is not a member of the scheme. In that case, the time-hours receiver will be able to spend but not to gain any time hours. The time currency might also be donated to a charity, an NGO or a non-profit organisation and the organisation will use the time hours as any other non-member. The major emphasis has been given so far to education services, related to languages and PC skills. At this point in time, tax authorities do not seem to care about Time Bank activities and they consider time banking as voluntary work, therefore non declarable and non-taxable.

At the current time (September 2010) the Time Bank is resuming its operation, despite the financial problems the parent NGO is facing and despite the fact that the Time Bank database needs personnel for its central management. They also organise educational workshops, where people from Athens and other Greek cities participate, in order to learn more about Time Banking.

The main idea of the Ovolos scheme is that the members can use the Ovolos currency (which is virtual, e.g. on the main computer system and on each member's digital smart card) instead of euro currency for their transactions with members.

The Ovolos Currency in the cities of Patras and Thessaloniki

The Ovolos project started its organising in January 2009 and it is based in Patras city (West-South coast of the country) but also run in Thessaloniki (second major city in the North of Greece), as well.² Its members were around 4800 in July 2010, but not all of them are particularly active, although the active membership is at least double the number initially announced on Complementary Currencies database.³

Moreover, Ovolos is used by several people who do not live or work in Patras and Thessaloniki, but they prefer to transact with parallel

currency. This has created a peculiar situation, where locality of transactions is not linked necessarily to the "base cities". The Ovolos organisers see this as an advantage, which will make Ovolos an online technology platform available to all people living in the country, enabling them to experiment using parallel currency while transacting locally no matter where they live.

The main idea of the Ovolos scheme is that the members can use the Ovolos currency (which is virtual, e.g. on the main computer system and on each member's digital smart card) instead of euro currency for their transactions with members. To avoid abuses of the system by companies, they have not permitted double pricing, e.g. the items or services sold are priced and paid in Ovolos only.

Each member has an equal say on the management of the scheme. To achieve this equality in practical terms and particularly in decision-making procedures, the main coordinators have delayed launching the currency in order to safeguard the checks-and-balances feature of the scheme by using Greek legislation. Therefore, a non-profit organisation (Σωματείο) has been created based in Patras city and named "Ovolos Research and Documentation Center for Social Currency" which is responsible for supervision of the scheme, provides the members with documentation and perform research activities. The members of the organisation have by law equal rights and obligations and the organisation is the "umbrella organisation" for the entire scheme.

The basic idea behind Ovolos is that the classical (e.g. state) currencies, especially after the interruption of equivalence with gold in 1971, create sur-values that are out of control by the economy and non-responding to real economy, e.g. real production. Contrary to that, the social currency will circulate and be consumed as it is produced.

A significant feature of the currency is the designation of it: the members of Ovolos call it "Social Currency". They wanted, first to show the social orientation of the entire project and second to avoid giving any false impressions of localist or secessionist ideas (if they called it "local currency") or of competing with euro currency (e.g. if they named it "Community Currency" it might be confused with the European Community currency). The title "social" is more than a word, because the plan

includes features of Local Exchange Trading Systems but also of Time Banks. The local and not regional character is important not only because of the model of the parallel currency they use, but also because the Ovolos founders and users believe that the currency will be easier managed and controlled by its members if it remains on a local basis.

The other “social” feature of Ovolos is that the scheme members use extensively the social networking internet applications to communicate, exchange ideas, discuss and notify each other about current news or about gatherings, etc. The use of Facebook as well as the use of blogs, email lists, etc is also found in many other initiatives – but it is amazing how the establishment of a parallel currency has been based on internet communication applications for publicising the project but also for permitting the members (and to some extent any other interested) to have direct information and participation in discussions and decisions about the project.

What is also very interesting about Ovolos is that it was started by a group of entrepreneurs, contrary to most parallel currency schemes in other countries, which have a hard time to attract even small neighbourhood businesses. The economic and financial crisis of October 2008 and its consequences, which have been severe for Patras city, have induced the entrepreneurs to search for money liquidity. At the same time, as household spending has decreased, individuals were very positive to the idea, if this was to offer them the opportunity to buy basic goods without needing euro currency for this.

The Local Alternative Unit of Volos city

The Local Alternative Unit (Τοπική Εναλλακτική Μονάδα – TEM) was formally planned to be launched on June 15th 2010 in the city of Volos, on the East Central coast of Greece. The Unit is digital only and will be used within the framework of the Exchange and Solidarity Network ⁴ which covers the entire county of Magnesiá. At the moment, the membership is rather low because they have not proceeded with extensive publicity yet, given that the scheme is on the process of resolving several practical issues.

The project is a very interesting one, not only because it is designed to remain local, but also because the managing team has opted so far to avoid the network taking any official legal form. However, they name their project as a “mainstream” one and an observer could say that this is true, given that the network tries to be as inclusive as it can be. They are also in close coordination with local municipal services, so that the network can have several trading points hosted in the city’s Social Centres, where people with no access to internet or uncomfortable with using PCs can ask for support in order to register and trade within the network. Local businesses are also welcome to participate and actually it is a local business that offers the server of the network.

On the other hand, the funding of the project is upon its members only. The rules adopted for the Local Alternative Unit use are rather strict: they give an amount of 100 LAU by registration, but debt for any member cannot get over 100 LAU either. Of course, the issue they are currently discussing is the total money volume trap, e.g. the money volume will be limited to 100LAU per person in average and the question they are currently facing is how the scheme can inject more currency into the system without imposing any “duty” or “tax” on transactions and without jeopardising the entire project by inflation or lack of trust in the system.

The ‘Money Back System’⁵: A Hybrid or *Sui Generis* scheme in Crete and Dodecanese

The Money Back System is a network combining exchange trade but also monetary elements. The network has been created by a private company, which also own the intellectual property rights of the system. Bus companies of Crete and Dodecanese cooperate as sponsors of the system while other local companies (super markets, pastries, clothe stores, cafés, furniture stores, cinemas, etc) are by contract commercial partners of the managing company.

The system has been so successful since summer 2009 when it was established, that after some months local ship and air companies started participating and the scheme was extended to the entire country: according to the project, the used tickets of mass transport means, no matter in which part of the country have been used, can be re-used at the their

nominal value to buy goods and services from the participating companies, but of course, they cannot be used again for public transport. Each enterprise announces in public which part of the price a customer pays can be paid in tickets (from 1/4 to 1/20 of the price)⁶. The only prerequisite is that the value of the ticket is written on the ticket and it does not matter when the tickets have been issued or used for transportation.

The scheme is distinguished first for its simplicity based on the used tickets circulating as money, second for its business-to-business-to-consumer (B2B2C) structure and third for its environmental and economic implications.

The Exchange Networks

Apart from parallel currencies, there also exist several exchange networks, either of general nature or specialised in one sector of activity.

The greatest and oldest network is Peliti⁷ which covers the entire country, both urban and rural areas. It was founded in 2002 and its structure consists of two separate but intertwined networks: the first, is a network for exchanging goods and services, while the second, is a specialised network which enables its members but also anyone interested, to exchange or just find for free traditional varieties of plants⁸ (either fruit or decorative trees, vegetables, flowers, etc) and to acquire (at the cost of breeding only) several traditional species of domestic animals.

The main idea is that for preserving the traditional plant and domestic animal varieties one should be able to find the species for free and offer them for free to whomever asks for them. The domestic animals, given that their cost of breeding might be high in some cases, can be purchased with official money, but only to cover the breeding costs and not the value of the rarity of the species (which means that if a member of the network overcharges, this member will be reported). Moreover, the transactions held in the general network do not permit the use of money by the participants – they advertise (some on the web, some other on the annual Peliti Magazine) their offers and what they ask in exchange.

Apart from Peliti, there are several (actually at least 6 active) schemes and initiatives for preservation and dissemination of traditional varieties throughout Greece. Most of them cooperate with Peliti but some have opted for acting locally only. Some of them are not even networks, but they just use local proximity of their members to create an unofficial group of people who are able to find traditional seeds whenever they need any. All of them provide the seeds for free and there is only a (loose) obligation of the receiver to cultivate the seeds,

and renew the variety for next year and provide with seeds any other person for free.

One recent development is the Logo-Timis⁹ network (Λόγω Τιμής – by word of honour, in Greek) which started its function on June 4th 2010, based in Athens. Due to its recent establishment, the website is in beta-phase and the offers on the webpage are very few, yet.

From the announcements of the network that are open to all internet users, we see a prevalence of services: dental care, business consulting, music lessons, architectural design, printing services, homeopathy and alternative therapy/diet consulting, hotel and restaurant services, etc. However, given that there is an option for a private profile on the network, it is not clear whether the announcements freely accessible on the web are the only ones.

The Free Exchange Bazaars and Free Networks

The term free-exchange bazaar (χαριστικό-ανταλλακτικό παζάρι) is the term used by bazaars where people can bring things (clothes, petty machines, shoes, toys, books, CDs, etc) to exchange them or just give them away and they can take anything they believe it is useful to them. To bring something is not obligatory, but we learn that there is an “unwritten” rule in one-day bazaars that to participate, you should bring at least something. This rule does not hold in permanent bazaars, because a person can bring something one day and take something else after several months. However, in no case is it necessary to equalise the value of what you offer and what you get, which means that, in principle, you are free to take as many or as valuable things as you can carry with you.

The first free-exchange bazaar in Greece had been organised by Sporos Cooperative in downtown Athens since 2003 but now, while still being part of the same cooperative, it has moved to its own place and is named Skoros¹⁰ (“moth” in Greek). There are four other permanent free bazaars in major cities of the country. However, most free-exchange bazaars are organised for an afternoon or a day, usually combined with other activities (like collective cooking points, handicraft fairs, etc). Free bazaars are regularly organised in several areas of Athens, but also in many other cities of Greece. Their dispersion, volume and regularity have greatly increased since 2009.

The free networks have a different pattern: they are online networks, the members of which can notify when they want to give something away for free or when they need anything that might be available but not yet announced online, or they get instantly notified when something is available by any network member. There are three only free networks in Greece, but both cover the entire country: one is Freecycle¹¹ in Greece, which

actually is member of the international Freecycle network that has started in USA several years ago; the other is Χάρισέ-το ¹² (pronounced Charise-To, Give-it-away) network, which is based in Thessaloniki and also organises free bazaars in cooperation with the city municipality.

The third free network is Give-and-Take (Δώσε-Πάρε)¹³, which is the most recently created (June 2010) and it is based in Athens and Thessaloniki, but they also have members in other Greek cities. The distinctive features of this network are a) a separate forum for exchange of services among the network members and b) a “library”, where members can lend and borrow books among them.

A special type of free bazaars is swishing parties (πάρτυ ανταλλαγής ρούχων) which emerged in Athens ¹⁴ since 2009 and Thessaloniki ¹⁵ in 2010. Swishing is a term created out of swapping and shopping to describe parties where people bring their clothes, shoes and accessories and can take other clothes, etc for free. It is like a free bazaar, focusing on clothing.

Epilogue: Other Projects

There are several other parallel currency projects which, either are in preparation stage or have not effectively started working at all.

The two projects on the Complementary Currency World Map located in Ierapetra city, in Crete island, are still being designed. A previous project, some years ago, that intended to establish time banks in several Greek cities under the support of Greek state did not start at all, because financing proved to be quite difficult. However, there is still grassroots interest in Time Banks in several parts of the country.

One would say that given the contemporary financial crisis, as well as the particular situation of Greek economy, all existing schemes are of great interest because they emerge at the time of great challenges for Greek economy and society. This will also mean that they might offer examples or experience in non-monetary economic activity that will create new patterns of transactions. The research project, within the framework of which this report has been prepared, attempts to investigate those new economic trends and their link to the greater framework of financial conditions that people of Greece are experiencing at this time.

Acknowledgements

I am grateful to Dr Noel Longhurst (University of East Anglia), for his comments and suggestions on an earlier version of this paper, as well as for his editing advice.

The paper draws on a PhD research programme which started in February 2009. The first phase involved qualitative research, in order to understand and explore the theoretical framework of the schemes. The second phase (quantitative research) is scheduled to start in December 2010.

This paper does not include any bibliography nor even the theoretical framework being used in the PhD research project, as we opted to prepare a more or less “technical” report. Of course, any deficiency of this paper is the author’s responsibility.

Endnotes

¹ www.enow.gr

² See the website www.ovolos.gr. There is also a group with the same name at Facebook, where the members discuss issues (in Greek only) about their currency.

³ This is what had been registered at CC World Map about Ovolos in January 2009: http://www.complementarycurrency.org/ccDatabase/maps/worldmap.php?action=list&s_le_countryId=64.

⁴ www.tem-magnisia.gr

⁵ More information (in Greek only) can be found on the website <http://www.moneybacksystem.gr/home.html>.

⁶ Details of the proportion of tickets accepted by each participating company can be found at <http://www.moneybacksystem.gr/Epixeiriseis%20September%202010.pdf>.

⁷ www.peliti.gr There is also a version of the website in English at http://www.peliti.gr/pages_eng/peliti_eng.htm.

⁸ Another term used for them is “landraces”.

⁹ www.logo-timis.gr

¹⁰ <http://skoros.espiv.net/>

¹¹ http://freecycle.wikispaces.com/freecycle_gr

¹² www.xarisetto.gr

¹³ <http://dwsepare.ning.com/>

¹⁴ www.swishing.gr

¹⁵ <http://swishing-thess.blogspot.com/>



Complementary Currencies for Sustainable Local Economies in Central America

Erik Brenes

PhD Candidate, Università della Calabria / Regional Advisor Andean Region - STRO

brenes@socialtrade.org / brenes@unical.it

Abstract

After more than a decade of researching, implementing and supervising complementary currencies projects in the region, the Social Trade Organisation Central America (STRO-CA) has accumulated many lessons learnt and developed complementary currency methods along with strategies to stimulate its circulation, but most of all to create stable, diversified and resilient local economies in the cities where projects are in research, execution and/or supervision. This report introduces the STRO-CA approach to complementary currency development, and reflects on ten years of currency innovation and development in Central America.

Introduction

After more than a decade of researching, implementing and supervising complementary currencies projects in the region, the Social Trade Organisation Central America (STRO-CA) has accumulated many lessons learnt and developed complementary currency methods along with strategies to stimulate its circulation, but most of all to create stable, diversified and resilient local economies in the cities where projects are in research, execution and/or supervision. This report introduces the STRO-CA approach to complementary currency development.

It is important to mention that in this long quest for creating stable, diversified and resilient local economies STRO-CA has received methodological support from many other organizations like New Economics Foundation and the Transition Towns movement.

STRO intervention in Central America started back in 2002 through its office in Honduras and one single project of complementary currency with local partner COMAL (Red de Comercialización Comunitaria Alternativa). Even though the project is no longer supervised by STRO-CA, the system still functions under

administration of COMAL, making it one of the oldest complementary currency in circulation in the Central American region. This complementary currency is called UDIS which is the Spanish acronym of Solidary Exchange Unit, most of the other projects in the region decided to take the same name.

STRO-CA's strategies to create stable, diversified and resilient local economies should be examined from a broader sustainable local economic development concept. In this article, the author does not intend to discuss in-depth the appropriateness of the concept, nor its replication potential. The intention, is to give a general descriptive overview of STRO-CA strategies and methodologies in the region, hopefully, to generate debate and enrich the learning process.

The STRO-CA approach

STRO-CA has developed an innovative sustainable local economic development approach that aims to create strong, stable and diversified local economies, resilient to outside shocks from the world economy and its globalization process. This approach is constantly improved by theoretical and "in-

**International
Journal of
Community
Currency
Research**

www.ijccr.net

field” feed-back. This has to be seen in the context of a global economy that while been re-organized (Dicken, 1998) shows increasingly signs of overexploitation, especially of its natural resources (increasing prices of raw materials in general and oil in particular, increasing food prices, water scarcity, climate change, unlivable mega-cities, etc...).

In Central America, STRO-CA works mostly, but not exclusively, with organizations from the Solidarity Economy, like peasants associations or cooperatives. Due to the limited number of advisors available, STRO-CA works mainly on demand, which means responding to requests from local organizations to help them design, introduce and administer their own local currency.

In a first stage, STRO-CA's local advisor in the country, after a legal framework review, evaluates the capacity of the implementing organization to administer and back the complementary currency. Next, the local advisor, considering the “three-dimensional model” developed by the International Council for Local Environmental Initiatives (ICLEI) for the Agenda 21 Global Policy, develops the feasibility study following a typical heuristic approach foreseen ways to eventually improve local economy and energetic independence.

Based on the information compiled in the feasibility study, a decision is made to write a project proposal and present it to potential donors. At this point, it is of crucial importance to write the project proposal taking into consideration the local knowledge of the economic, social and environmental stakeholders of the future project. This is done in a participatory way with the local partner, assuring full understanding of the scope and limitations of the future project. Rural and semi-rural areas share certain features and problems, but at the same time they have unique potentials, unique problems, and are therefore undergoing unique forms of transformation which must be taking into consideration at all times.

The approach consists of local applications and combinations of the three methods detailed in Table 1 below. A major feature in almost every project, is the transversal use of the complementary currency to re-design local social, economical and environmental relations, where possible in a more sustainable way.

While trying to achieve this objective, the local economy will become more stable (resilient) to the increasingly rapid changes of the national and most of all global economy, while at least maintaining production and reducing environmental degradation.

Blanc (2002) mentions four rationales for monetary localism which frequently combine each other; the first is related to income collection mostly through seigniorage. The second, a change in the nature or conception of exchange and its context. A third, to protect the local economic space against external monetary disruptions like a recession and/or inflation and finally, to increase local economic development. STRO's approach is mainly aligned with the last three rationales and is integrated in the sense that methods reinforce each other mutually, and all of them stimulate circulation of local currency, thus increasing the impact of the model as compared to isolated implementation of each method. It is important to remember that this approach is the result of constant research and development from theoretical findings as well as lessons learned from the field. The rationale behind this integrated method approach is to transgress, or at least try to transgress the socio, economic and environmental dominant order to incorporate the principles of an organized disorder or negentropy. Table 2, offers and overview of all complementary currency projects in Latin American (not all of them supervised by the STRO-CA office) by the backing up method specified in Table 1.

Coopevictoria: a Case Study

Situated in the Grecia county in the Alajuela province of Costa Rica, Coopevictoria is Costa Rica's oldest agriculture cooperative founded in 1943, back then produced only roasted coffee and sugar from cane. Nowadays, it has more than three thousand members, hires almost a thousand seasonal workers and while coffee and sugar still are their main products, they also have a wide variety of agricultural products and services. More details on the local counterpart at: www.coopevictoria.com

In July 2006, representatives from STRO-CA had a first informative meeting with the Cooperative's Board of Directors and informed them about STRO-CA local economy sustainable development methodologies and

Table 1:
STRO-CA
approaches to
sustainable local
economic
development

| | |
|--|---|
| <p>Complementary currency methods</p> | <p>The Commodity Backed Currency (CBC) methodology aims at substituting and/or complementing the outflow of national currency of an institution or enterprise with a flow of vouchers. The vouchers are backed by the institution/enterprise who accepts them as means of payment for its own sales (goods, services). This financial and commercial instrument used to be common in large agricultural farms like banana plantations of multinationals and coffee plantations in Central America. The methodology has been updated by STRO with:</p> <ul style="list-style-type: none"> - More diversified strategies of use of vouchers by the organization / enterprise, not only salary payroll but as well as purchase of production inputs, contracting of local services, loans to peasants, bonus system and others; - The creation of local networks of commerce and small business who accept the vouchers. This improves the spending options of the vouchers and hence must raise the demand for vouchers and improve the time of local circulation; - Offering a bonus system for users of vouchers which is financed by an expected rise in sales of the organization and reduction of financial costs due to the substitution of “expensive” working capital in national currency by vouchers (with almost no financial costs). <p>The Loan Backed Currency (LBC) methodology aims at stimulating local economic and social development of communities by rising their liquidity through the local circulation of vouchers, emitted through loans administrated by the communities or a third party like a microcredit organization. The loans can be paid back by the community by vouchers, national currency or eventually goods and services, depending on the methodology. Interest rates of loans in vouchers are lower than interest rates for loans in national currency since they do not have financial costs (interests over savings, cost of borrowing money, inflation or other opportunity costs). As such the methodology provides fresh liquidity to the community at a fair price. By creating a local network where the vouchers are accepted as a means of payment for the purchase of goods and services, the methodology incentives local “purchases” and improves the sales of the participants of the network. The methodology has been strengthened and updated by STRO with:</p> <ul style="list-style-type: none"> - Integration of loans in national currency with loans in local currency. - Diversification of strategies for raising the demand for local currency. - Setting up of a permanent system based on daily transactions and not only periodic local markets. <p>Finally, in some cases, these first two methods can be design further spread into the third method called C3 (Commercial Credit Circuit) where businesses, employees or persons in general have a virtual barter system through internet. Businesses in a C3 network use some of their internal liquidity to make transactions among them. This internal liquidity can be backed by cash or financial guarantees. In this way, financial guarantees (including credit insurance) become a sort of commercial liquidity opening the market penetration of the financial institutions.</p> |
| <p>Appropriate technologies</p> | <p>The focus is to stimulate circulation of local currency by developing local bio-energy (biodiesel, bio-ethanol, biogas) and/or ecohousing. Also, some strategic alliances exist with organizations specialized in organic agriculture. In all cases, the objective is to substitute “imported” products (i.e. from outside the region) for locally produced products, using as much as possible local resources. Preferable, the products are also locally consumed, to reduce transport and distribution costs. For further details on the subject, please see: www.gotaverde.org, www.ecocasas.org</p> |
| <p>Apresiasi Lo nuestro (APLN)</p> | <p>This method is adapted from the Local Alchemy method of the New Economics Foundation (NEF). Starts with a workshop to raise awareness among local actors about the impact of their spending and investment behavior on the local economy. In Central America, some 5% of the participants, mostly (prospective) entrepreneurs continue in a coaching trajectory which bring their entrepreneurial project idea in practice which consequently will stimulate local currency circulation. The coaching has proven to be very effective with informal sector entrepreneurs (who are generally too small to qualify for mainstream business advisory services like credits).</p> |

| Name of the project | Country | Year established | Type of scheme | Details |
|----------------------|-------------|------------------|----------------|---|
| Suchitoto | El Salvador | 2007 | LBC | Wide network of local businesses accepting UDIS. |
| PuntoTransacciones | El Salvador | 2009 | C3 | Private enterprise, design and partially fund by STRO-CA. www.puntotransacciones.com |
| Gota Verde | Honduras | 2007 | CBC | Backed by biodiesel production. |
| Comal | Honduras | 2002 | CBC | No longer under STRO-CA supervision. |
| Coopesilencio | Costa Rica | 2007 | CBC | Backed by palm oil production. |
| Coopebrisas | Costa Rica | 2007 | CBC | Backed by dairy products. |
| Coopevictoria | Costa Rica | 2007 | CBC | Backed by Coffee, sugar and other businesses. |
| Cooperativa Sigchos | Ecuador | 2010 | LBC | Fund and supervised by Pachamama Foundation |
| Cooperativa Integral | Ecuador | 2010 | LBC | Fund and supervised by Pachamama Foundation |
| Cooperativa Coopera | Ecuador | 2010 | LBC | Fund and supervised by Pachamama Foundation |
| Red Compras | Brazil | 2005 | C3 | Design and supervised by STRO-office in Brasil (Instrodi). www.circuitocompras.com.br |
| C3-Uruguay | Uruguay | 2010 | C3 | National in scope, designed and executed by STRO-Uruguay office. www.c3uruguay.com.uy |

Table 2: STRO complementary currency projects in Latin America

strategies. Almost immediately, STRO-CA technician from the Honduras office, developed a feasibility study and project document and the implementation phase started at the beginning of 2007.

Back then, the cooperative's Board of Directors were facing serious problems within the national banking system to find appropriate funding to pay the salaries of seasonal workers, therefore a complementary currency, as *sui generis* as it sounded for them, seemed a possible solution. Despite the previous, circulation started in 2007 by rewarding cooperative members that spend their national money in the cooperative's different businesses. Back then, the circulation process started almost as a loyalty reward membership, at that time, for every US\$100 spend within the cooperative businesses, 2%

were gave back as cash in Coopevictoria's UDIS. Nowadays there are others circulation strategies in place in order to release UDIS into the local economy and stimulate its circulation. For instance, Coopevictoria employees as well as some local seasonal workers can get a percentage of their salary paid in UDIS, they in turn, spend it in the local networks of businesses, which in turn buy products from local producers and/or businesses that accept UDIS. Because in the local network of businesses there are few supermarkets and a gasoline station most people freely accept UDIS, even few local businesses, that does not belong to the cooperative are paying part of salaries of their employees in UDIS. Image 1, shows the catalogue of local business that accepts UDIS in Grecia county in September



Image 1: Businesses in local community accepting Coopvictoria UDIS in September 2009

2009. During the feasibility study of the project, based on the local economic, social and environmental relations, several emission, circulation and recuperation strategies were identified and discussed during the research phase. Therefore, the complementary currency circulation starts through the best emission strategies identified, stimulated through circulations strategies and finally returns back to the organization through the recuperation strategies accepted. Once the complementary currency has gone, more than half a year, through this circulation cycle, we can say that had “reached maturity” and other methodologies could be deployed, in order to stimulate circulation through social activities like APLN or avoid environmental degradation while producing alternative energy or ecohousing.

To stimulate UDIS circulation in the specific Coopevictoria case, and after two information visits to all 49 schools in the county, the cooperative started buying waste cooking oil from schools and transformed it into bio-diesel for their agriculture machinery. By December 2009, Coopevictoria was collecting at least 24,000 litres of waste oil a month, and more than 700 children were involved in the collecting and production process. In two yearly visits to the bio-diesel factory, children understand the productions process and most importantly understand the benefits of not contaminating under-

ground water and avoiding the emission of green house gases by burning bio-diesel rather than average diesel.

After more than a year of UDIS circulation and even without promoting it, several local businesses in the Grecia county started accepting UDIS in their normal operations stimulating even more it's circulation. In a recently started and more intensive promotion campaign, a local network of businesses is been created in order to accept UDIS. By March 2010, the amount of local businesses in the Grecia county accepting UDIS, has grow to more than 32, many even give extra discounts if clients pays with UDIS.

At this stage, Coopevictoria studies the possibility to introduce a digital payment options (e.g. by SMS or debit cards using STRO's open source software Cyclos) with the local network of businesses to further stimulate the circulation of a virtual UDIS into a C3 method. Moreover, Coopevictoria considers buying biodegradable waste from schools and local businesses to produce energy from bio-gas. Finally, Coopevictoria builds an experimental distiller that produces high-grade ethanol from waste streams from the coffee and sugar transformation process. This ethanol can be used as a gasoline substitute or additive all these energetic strategies stimulates the use of UDIS and helps the organization reach certain level of energy independence.

Conclusion

This report has introduced the work that STRO is undertaking in Central America involving complementary currencies. In conclusion, we can summarize the strengths and weakness of the approach respectively as follow:

- When properly designed, it is a strong solution that can empowers communities and/or local organizations to address local problems and needs with local resources.
- Like argued by several authors (Seyfang 2001a, Pacione 1997 and Schuldt 1997), STRO's approach design local currencies to improve local economy as well as energetic independence due to the integration all three dimensions of the Agenda 21 Global policy.
- The approach is easily adjustable and scalable to local realities, making it a strong planning tool for middle and long term sustainable development.
- One of the main advantages is that STRO's methodologies maximize local usage of resources making it sometimes an affordable solution for local communities or

international organizations with projects dedicated to local economic development.

- After certain amount of complementary currency circulating and stimulating enough local economic processes, the local economy become more resilience and adaptable to national or global economy crisis, unfortunately this must be properly measure still.

On the other hand:

- As other authors also argue (Aldridge 2002, Williams et al., 2001 and Pacione 1997) the approach (as any approach that aims at changing rationales/behaviors) requires some time to reach significant economic impact/scale mentioned in the previous point. Most results in the short run are qualitative rather than quantitative, when not properly explained or understood, this may discourage local people and/or funding organizations.
- As other researcher (Gomez, 2008) have already pointed out, there is a complete lack of institutional support to projects involving complementary currencies. In some Latin

Images 2 and 3:
Coopevictoria's
UDIS note front
and reverse



American countries, such approaches are often seemed as way of working outside the law.

- This approach is certainly not suitable to all local economies, each case and its particularities must be address and considered separately. Especially with pure import-export economies (that export almost their entire production and import most of what they consume), with little economic diversification (e.g. coffee regions).
- Finally, promoting the C3 approach, either to implement it or fund it, presupposes a good level financial/economic literacy from the interlocutor. Usually, people are highly discouraged to read long and technical documents.

Finally, it is important to remember that this approach capitalizes more than 10 years field experience but is still in a process of learning and improving. While “imperfection does not mean irrelevance” it is important to keep researching other local economic solutions. We also have for instance:

- Cultural productivity (Leff, 2004) which links the notion of culture, which usually means social formations, and human activities that are not necessary intended to increase productivity;
- Solidarity networks (Mance, 2006) which are forms of integration and interacting among organizations that support each other mutually promoting confluent actions that strengthen each of the members or all of them simultaneously; and;
- “Caracoles” which are the organized regions of the Zapatistas autonomous communities in Chiapas, Mexico.

It will be important to integrate these and draw wider conclusions for sustainable local economic development; at least we owe it to future generations.

References

- Aldridge T. & Paterson A. (2002), LETS get real: constraints on the development of Local Exchange Trading Schemes. Retrieve April 25, 2010 from: <http://shura.shu.ac.uk/1295/>
- Blanc J. (2002) *Formes et Rationalités du Localisme Monétaire*. Retrieve May 02, 2010 from: <http://id.erudit.org/iderudit/007256ar>.
- Dicken P. (1998) *Global Shift: transforming the world economy*, Gilford Press, New York, U.S.A.
- Gomez G. (2008) *Making Markets: Institutional rise and decline of the Argentine Red de Trueque*, Shaker Publishing, Netherlands.
- Leff E. (2004) *Racionalidad Ambiental: la reapropiación social de la naturaleza*, Siglo XXI Editores, Mexico
- Mance E. (2008), *Redes de Colaboración Solidaria*, (Universidad Autónoma de la Ciudad de México, México)
- Pacione M. (1997), Local exchange trading systems as a response to the globalisation of capitalism, *Urban Studies* 34, 1179 – 1199.
- Schuldt J. (1997), *Dineros Alternativos: para el desarrollo local*, Universidad del Pacífico, Perú
- Seyfang G. (2001a), Community Currencies: a small change for a green economy, *Environmental and Planning A* 33 (6), 975-996.
- Williams C. & Aldridge T. (2001), *Bridges into work: an evaluation of Local Exchange Trading Schemes*, Policy Press, U.K.

Community Currency Progress in Latin America: Evolution in Brazil of a Socio-Technical Innovation for Economic Sustainability

Christophe Place

HEC-Paris / Fundação Getulio Vargas São Paulo, Brazil

Abstract

After losing its lawsuit against a community bank issuing a community currency, the Central Bank of Brazil has just started a cooperation agreement with the National Secretary for Solidarity Economy of the Labour Ministry of Brazil to support and develop the current 51 community banks and their own social currency in order to reach about 300 by 2012, becoming an exemplary model. This world premiere central bank support associated with one of the highest amount of community currency systems of Latin America brought Brazil as a significant site of experimentation in this field. Furthermore, some daring innovations seem to confirm this position in a long-term future unless this normative control of a centralized institution decreases the creativity. Indeed, sustainable economic orientation still needs creative tools, associated to an ethical vision, to decrease material consumption dependence and increase post-materialist values exchange: community currency transformation to an effective grassroots innovation for sustainability, prosperity and democracy seems to be necessary.

Introduction

In some area such as Latin America, where there is a potentially abundant market, a lack of transaction tool prevents market exchange, brings pauperization and thus high income disparities such as in Brazil. In 2007, about 2,600 community currencies were trying to avoid this paradigm from which 55% were in Europe, 36% in Japan, 5% in United States of America and Canada, 3% in Australia and New Zealand, and only 1% in the rest of the world (Lietaer et al, 2008).

The community currency field is in perpetual progress all over the world, including Latin America where a lot of evolution took place in the last decade. The purpose of this article is to study why Brazil became a site of currency experimentation in recent years and to present some exemplary schemes and promising innovations. Indeed, it seems that the most significant site of currency experimentation of Latin America, Brazil, has a certain importance in the trend of community currency development in this region. Foremost, the paper will explain why community banks, issuing social currencies, became an exemplary model in terms their impact, size and longevity.

Finally, it will also highlight some other Brazilian socio-technical innovations in term of community currency systems. This research suggests that a future multicurrency society could be evolving, even in the southern countries (Swan, 2008).

Banco Palmas: A Significant Example in Latin America

Argentina used to be a famous community currency example in Latin America with 2,000 barter currencies created since 1995 before their collapse in September 2002 caused by falsification and thus inflation (Primavera, 2009). Venezuela is also famous for its 11 barter currencies created between June 2007 and October 2009 and used in 12 barter community market, or Mercados Comunitarios de Trueque in Spanish, spread on 13 of the 23 Venezuelan states (Shephard, 2009).

The Social Trade Organization is currently promoting rural development projects linked with biodiesel, organic agriculture and reforestation through community currency systems in Honduras, Costa Rica, and Ecuador¹ (Brenes, 2009). Moreover, the Social Trade

Organization built in Uruguay in November 2009 a new network of transactions C3U, for Circuito de Crédito Comercial Uruguay in Spanish, which allows small and medium businesses to access to productive credit through a community currency. This system also enables to pay for taxes through this community currency which is a world first step for a future multicurrency economy (STRO, 2010).

Despite all of those initiatives, especially Uruguay government who accepted tax payment in community currency, Brazil seems to be the most significant site for community currency development in Latin America with about 51 community banks,² or bancos comunitários in Portuguese, with their own local currency called also social currency, or moeda social in Portuguese, which managed an equivalent of R\$ 40,000,000³ in the last 3 years thanks to their suburban bankers (FBES, 2009). A community bank not only issues and manages social currency, but also borrows social and national money as a microcredit correspondent of the Brazilian microfinance sector. Some community banks use a microcredit system both in national and social currency. Thus, you can receive social currency by either exchanging national currency against social currency or contracting a microcredit loan in social currency.

By complementing lawful fiat money, or official national currency with its unique status of legal tender and full settlement value assured by law, social currency is, on an economical, social, functional and legal standpoint, a market mechanism considered as an alternative means to promote access to products, integration of people into the labour market, and access to social rights through a contractual agreement signed by members of a given community.⁴ Indeed, no one can be obliged to accept a social currency or to participate in a social currency system (Freire, 2009).

Social currency, usually with national currency coverage, circulates in little municipalities or poor districts. Thus, by paying with social currency you receive a discount from 2% to 10%. Community banks offer either a national money loan with an interest rate of below 2%, instead of 8.1% in the conventional financial market; or a social currency loan with zero interest rate below an equivalent of R\$ 800⁵, and with an interest rate around 2% above it. To receive those national or social money loans,

you must live in the community, present a resource application plan, and receive the validation of your neighbourhood with regard to your honest behaviour without any consultation of the Credit Protection Service Agency. Even with higher transaction costs than national currency,⁶ those incentives promote the use of social currencies in day-to-day transactions in local economy. It is a semi-convertible complementary community currency with national currency value parity,⁷ because only shopkeepers, or sellers, can exchange social currency in national currency whereas inhabitants, or buyers, can't.

As social currency is issued by a community bank managed by inhabitant, each community chooses the symbol, design and support, printed notes or electronic card, of its social currency. Only used within a closed market of determined goods and services exchange, social currency promotes local economy and avoids money disappearance outside of the community caused by products importation. It is thus a strong democratic communication and integration tool for communities, avoiding global and cultural exclusion and hegemony.

Each social currency is part of the community bank Brazilian network (Rede Brasileira de Bancos Comunitários) which was launched by the socioeconomic solidarity and development Banco Palmas Institute created in 2003. Indeed, Banco Palmas, the first Brazilian community bank created in 1997 by João Joaquim De Melo Neto Segundo in the city of Fortaleza in the Brazilian state of Ceará, became a replicable community currency model in Brazil for the development of alternative economic system for social inclusion. Banco Palmas received the Brazilian millennium development goals prize from the United Nations development program in 2008, the social entrepreneur recognition from Ashoka in 2005, and the social technology prize of the Banco do Brasil foundation in 2005 (Segundo, 2006).

Community banks are working as a local microcredit association without any institutional structure and legally depend on the network manager Banco Palmas Institute concerning not only conventions with public authorities and official banks, but also security seal against falsification on the bills. The Institute communicates the creation of a new social currency and its amount of circulation to the Central Bank without any previous authorization. Social currencies need the same

amount of national conventional money within a warranty fund to insure its same value parity or equivalence, to control its circulation and thus to avoid a national economic disorder through a competition with the official money. As social currencies are recognized as food or transport vouchers, they are not infringing the money issue restriction law of the Central Bank and therefore don't suffer from any official organ control. Indeed, they only need to inform the Central Bank and be accompanied by the Labour Ministry. To allow community banks to have their own savings and to regulate social currencies situation it seems necessary to create regulations and a control mechanism to consolidate their evolution and protect their experiences (Félix, 2009).

Consequently, in 2007, the federal deputy Luíza Erundina and the state deputy Eudes Xavier created a 'complementary law project' which established the creation of a Solidarity and Popular Finance National Segment. According to the Article 22 of this law project, the Solidarity and Popular Finance National Council (CONAFIS) should form a cooperation protocol with the Central Bank of Brazil to reach an efficient adjustment, for the fiscal inspection of the Solidarity Development Popular Banks (BPDS). Indeed, some economic specialists believe that social currency growth and dissemination may create inflation and financial disorder. However, social currencies address financial exclusion by reaching some poor communities that official banks don't. Furthermore, community banks only deal with credits and donation transaction linked with real economy instead of speculative one. Finally as the popular credit segment doesn't have a national level articulation, it hampers its growth and dissemination (Pitts, 2009).

According to Paul Singer of the National Secretariat for Solidarity Economy (SENAES) of the Labour Ministry, or Ministério do Trabalho in Portuguese, about 150 community banks will be created by 2010 with their own social currency and 300 by 2012 (Sanches 2009). The Central Bank of Brazil launched a 2 day Finance Inclusion Forum in Salvador, and the entire day of 18th of November 2009 was dedicated to community banks and social currencies. The Central Bank made a public self-criticism about a lost lawsuit against Banco Palmas and its new support for the expansion of the community bank network. Consequently, this lost law suit appears to be a critical stage in the development of Banco Palmas in Brazil in terms of legal evolution and institutional support, becoming a referent in Latin America (FBES, 2009).

In March 2010, a cooperation agreement between SENAES and the Central Bank was made to achieve studies on community banks and on social currency, envisioning the creation of monitoring and evaluation mechanisms for the development of this sector in Brazil. After a decade of many articulations and mobilisations of

“For the first time the Central Bank of Brazil recognised the existence of community banks and social currency and their importance as social technology that generates financial inclusion.”

the solidarity economy movement, with the support of SENAES, the recognition by the Brazilian State was won thanks to these terms of cooperation: territory-based community, like small municipalities or neighbourhoods, can build their monetary authority.

For the first time the Central Bank of Brazil recognised the existence of community banks and social currency and their importance as social technology that generates financial inclusion. This partnership achievement and the elaboration of norms should give directions to actors who want to know, support and develop community banks, using social currency. On the basis of this agreement, community bank initiatives won a new institutional framework, enabling the realisation of new strategic partnerships for their development. Moreover, these banks would benefit from the enhancement of incentive policies, and the institutional environment would be quite favourable for the consolidation of such policies: public resources for training activities, technical assistance and adequate credit lines (SENAES, 2010).

Social currencies should be regarded as public policy instruments for local development compatible with monetary policy to be taken under the responsibility of the Central Bank.⁸ Indeed, social currency system, through its legal and contractual arrangements, establishes methods for coordinating and managing local economic activities, thus enabling individuals to exercise greater control over the creation and use of the social currency, in accordance with the political will of the community. It is compatible not only with the objectives of monetary policy and with banking regulations, but also with public policies for solidarity finance, targeted at generating jobs and income, fostering social inclusion, and promoting solidarity and fair local development. The use of social currencies neither affects the power of central banks to control the money supply nor poses a serious threat to the role of central banks in relation to national payment systems, nor even jeopardizes the stability of the financial system (Freire, 2009).

“The creation of a necessary and adequate regulatory framework for the development of public policies for solidarity finance through the issuing of social currencies may prove an essential condition for reducing social and regional inequalities observed in Brazil, and contribute toward the eradication of poverty. It is, for this reason,

important that there be close coordination between initiatives of the National Secretariat for Solidarity Economy and those of the Central Bank of Brazil, so that, apart from compliance with the Law and compatibility with monetary policy under responsibility of the Central Bank, the issuing of social currencies in Brazil remains to be based upon free enterprise and the dignity of human labour, so that all Brazilians can enjoy dignified livelihoods, in accordance with the precepts of social justice and of the constitutional economic order.” (Freire, 2009:92).

This is the first time in history that a central bank is supporting community currency initiatives and it has an extraordinary political impact for their acceptance, credibility and evolution. It is clear that this current and future evolution of free access to monetary resources would break the scale of appropriate technology access for the base of the pyramid in Brazil. Because sustainable economic strategy can only be reached through the emergence of social technology, locally adaptable and easy to replicate (Rodrigues et al, 2008). As Brazil is becoming one of the most significant sites of community currency development in Latin America through its exemplary model of social currency, should all the regional countries follow the same path? Could the control and normalization of socio-technical innovations by a centralized institution decrease the rate of creativity of community currency systems?

Recent and future currency innovation in Brazil

Some institutions are interested in this research area of community currency as a socio-technical innovation for economic sustainability: Politeia, an incubator of democratic educational practice; Instituto Futuro Educação, on democratic education; Cidade do Conhecimento, the institute of advanced studies of the University of São Paulo; Incubadora Tecnológica de Cooperativas Populares – Fundação Getulio Vargas and Universidade de São Paulo, two popular cooperative technological incubators of the most famous Brazilian universities; Crie Futuros, a network for future creativity. Furthermore, Brazil is not only a quantitative example for community currency systems in

Latin America thanks to its social currency system impact, size and longevity, but also a qualitative one through its numerous innovations.

C3: Trade and Consumption Circuit

Brazil is already famous for the virtual barter system with the C3 purchase circuit which is a barter backed currency launched in April 2005 in Porto Alegre by the Social Trade Organization (STRO). This integration through barter encourages purchasing power to circulate more effectively within a given community or region. It administrates the transactions, comparable to a home-banking system, to help supply and demand meet each other more easily in the built-in marketplace, thus opening up new markets for the members. It's based on a barter currency which grows the local consumption and production through an internet software program connecting entrepreneurs in a barter network. This open source community currency software is called Cyclos and use a capital and consumption circuit methodology (Brenes, 2009).

Ecoelce: waste against energy barter

However, Brazil is less known for its waste energy barter called Ecoelce launched in 2006 by the Coelce, the third biggest energy distributor of the north east region of Brazil. It is a system where people pay their electricity bill with recycling solid waste, a barter system of waste against energy based on mutual appreciation. This is a barter of industrial recycling solid waste for electrical energy credit bonus on the consumer account of the low income population. In the city of Fortaleza, 59 barter centers have collected 4,600 tons of waste, generating a credit of R\$ 588,000⁹ as energy bonus for the customers' accounts of more than 120,000 beneficiaries. Since the beginning of the project, about 57% of the program clients paid their entire electrical bill (Lima, 2009).

Cubo Card: musical community currency

Launched in 2004 by Pablo Capilé in Cuiabá in the state of Mato Grosso, the Cubo Card is a

community currency which allows exchange of goods and services within a music community, or cultural collective called Cubo.¹⁰

"This collaborative cultural organization aims to support self-sustainable and self-managed cultural enterprises, disseminating products and services through the internet. With their own credit system (Cubo Card), public and private institutions support them providing services, meals, tickets to concert houses etc." (Lemos et al, 2008:15).

Firstly based on the exchange of voluntary work for music recording, rehearsal room rent, or band marketing, this currency became a vector of local music culture development. The same year, as too much of currency was created and not enough exchanged, the inflation led to the system collapse and showed the necessity of exchangeable activities diversification within the community in order to balance the monetary creation with its circulation. Henceforth, 81,000 Cubo Card are in circulation in a kind of Local Exchange Trading System, including not only independent music festivals but also restaurant, hotel, English lessons, tattoos, books... An electronic card will be launched in 2010 (Espaço Cubo, 2009).

"In the city of Fortaleza, 59 Ecoelce barter centers have collected 4,600 tons of waste, generating a credit of R\$ 588,000 as energy bonus for the customers' accounts of more than 120,000 beneficiaries."

Arassussa: water management against sustainable house barter

In the city of Araçuaí in the state of Minas Gerais, was built the Arassussa currency in 2005 by Tião Rocha through the Culture and Development Popular Center (CPCD). It allows barter between a mandatory commitment list, linked with water management, for a sustainable house kit. This kit contains a comfortable and natural thermal and sound insulation, a storm-water drain, a composting system for organic food production. 220 families have benefited from this sustainable house kit by accomplished commitments in relation with water contamination analysis, rainwater collection and children education. This community currency is still an immaterial and conceptual one but in 2010 will be set up a

real Arassussa currency, also used as a community currency for the exchange of local organic agricultural production in order to give directions for healthy and natural products consumption (CPCD, 2009).

The Hub: currency creation as a community animation tool

The Hub - São Paulo is the name of the network, a place where one meet people from civil, public and private organizations who want to change the society for a better world. As the heart of this structure is the cooperation, collaboration and sharing, the idea of a community currency to connect the members appears in 2009 and will be introduced in 2010 by Celso Sekiguchi, Mariana Nicolletti and Narjara Thamiz. Until now, the concept is based on various systems with different challenges: a weekly barter fair between members, a local currency for external transaction with special discount, a permanent service exchange system, and an emergency no charge microcredit fund used for the members in local currency, national currency, or working hours. The purpose is to create an economic culture of abundance, with a possible collaboration of the Instituto Inovamente and the Instituto Elos, through a social network with about 40 participants inside and outside The Hub (The Hub, 2010).

As community currency permits to keep the created wealth within the community because it's a closed market, the monetary inclusion of a community has a real big impact on his development through economic growth. Nevertheless, the economic system is still based on the same wealth creation definition based on production-consumption system veneration (Jackson, 2009). It increases the local Gross Domestic Product and thus the local economy with its positive and negative socio-environmental impact.¹¹ That's why socio-technical innovations for economic sustainability through community currencies still need evolution, even in Brazil. It has to empower communities to build economies that are both sustainable and democratic in order to build the true wealth of the grassroots, the intelligence of heart (Greco, 2009; Viveret, 2002).

The five community currency systems detailed above are part of a wider field of alternative institutions of exchange including service exchange bartering, goods barter market, and book banks. These recent grassroots innovations should give us the hope of future progress in this field not only in Brazil but also in Latin America. Complementary community currency systems are only a tool, a mean, a modality to reach an end, a vision, a long-term strategy. Consequently, innovations must be made on both open, plural and sufficient currency tools; and its associated vision to reach a society of democracy, sustainability, prosperity through a solidarity and ecological economy. The biggest challenge is no more in the free and easy access of wealth valuation tools, but moreover in the integration of a genuine global collective intelligence within the scheme through an ethical leadership and governance.

shouldn't be made in both currency innovative tools and sustainable prosperity vision? To achieve this, the sector of venture philanthropy, even in Latin America, shouldn't be more interested in this necessary transition, evolution, revolution thanks to a micro-philanthropic seed fund to reach monetary viability within a local community project?

Conclusion

Brazil is, currently, a significant site in the field of community currency in Latin America. The last decade, and especially the years of 2009 and 2010 have brought a real evolution in its consideration as a strong socio-technical innovation for economic inclusion of community through monetary authority and autonomy. Indeed, we just analysed a high development in the last decade through various innovative schemes and the acceptance of an exemplary model of community bank with its social currency. Even if the majority of community currency systems are in the northern and developed countries, Latin America, and especially Brazil have an important experience in this field and a strong potential for its future progress.

Nevertheless, as community currency innovation and circulation stability totally depends on a democratic management system, would the possible control of the Central Bank of Brazil finally destroy this creativity through homogenisation and standardization? Would a public management of this field help, or not, to achieve economic sustainability? Indeed community currency still needs a lot of innovation to create an effective sustainable economic and political tool through material and immaterial exchange incentive with community currency circulation control thanks to open rules governance. Applied research

Endnotes

¹ In Honduras, a community currency is being launched in 2008 with 7,427 Peces in circulation for biodiesel purchase and national currency conversion. In Costa Rica, a time bank, microcredit and biodiesel project has been set up in 2003 through a community currency used in a sugar, coffee and sugar cane cooperative, called the Coopevictoria. In Ecuador, a community currency project will be created in 2010 through the issue of a local currency of a community bank used by workers participating in the reforestation project.

² Those 51 community banks don't represent the whole of Brazilian social currency systems because it exclude barter community markets which are also using social currencies as, for example, the Grão used in the Brechó Eco-solidário of the city of Salvador de Bahia; or others in the Rede de Bancos de Trocas Solidárias of the city of São Paulo which brings together the Feira de Trocas Solidárias do Centro de São Paulo, Feira de Trocas Solidárias Prosol, and Feira de Trocas Solidárias da Rede Jabaquara.

³ R\$ 40,000,000, in the Brazilian national money, is equal to 17,777,777 € with an exchange rate of 2.25.

⁴ It is possible to define social currencies as non financial but human wealth in the process of production, circulation and distribution of physical goods and services produced by human labour. The local economy wealth produced benefits to the people participating in the social currency system, called an optimum monetary area, in which demand for local goods and services can be fulfilled by the local supply of goods and services before the surplus of these goods and services is exported to other areas and sectors not served by the social currency in question. Surplus local production can be exported, resulting in a redistribution of resources within the national economy and, at the same time, development of local economies and of domestic, inter-municipal, interstate, and inter-regional trade. Municipalities can participate directly or indirectly in the social currency system in various ways by stimulating activity within the currency system since, in this manner, they are also promoting increases in their potential tax revenue base. By ensuring that bank deposits of the participants of social currency systems remain in closed monetary loops within local economies, in the medium and long term, banking institutions that are partners of organizations that use social currencies, awoken to the advantages of keeping bank deposits applied in investments in the local economy.

⁵ R\$ 800, in the Brazilian national money, is equal to 355 € with an exchange rate of 2.25.

⁶ This higher transaction cost can be relativized by the fact that social currency indirectly integrates social and environmental externalities of products by being used in a local closed market of goods and services.

⁷ In every case, one social currency is equal, in value, to one national currency. For example, one Palmas, issued by Banco Palmas in Fortaleza, is equal to one Real, the Brazilian official currency issued by the Central Bank.

⁸ In view of their conventional and contractual nature, social currency systems tend to be legally structured in compliance with legal standards, within spaces in which the Law grants freedom and private autonomy in each social context. That's

why operators of social currency systems that engage in activities that are reserved for banking and financial institutions are subject to preventive and punitive control, exercised by the Central Bank. Indeed, the contractual clauses that constitute the legal frameworks that underpin the various types of social currency systems, aside from determining logistical and operational aspects of the functioning of social currency systems, also serve to determine the currency cycle (creation, distribution, issuing, and redemption of social currency) and to define the legal and regulatory framework applicable to the specific system in question.

⁹ R\$ 588,000, in the Brazilian national money, is equal to 261,333 € with an exchange rate of 2.25.

¹⁰ The global cultural network connexion, or Cuiçucito Fora do Eixo in Portuguese, is present in 25 of the 27 Brazilian states and supporting 43 cultural collectives through independent festivals. 2 of those cultural collectives are issuing the same community currency system through their independent festival: the cultural collective Goma in the city of Uberlândia in the state of Minas Gerais has created in 2009 its own community currency called Goma Card; the cultural collective Catraia in Rio Branco in the state of Acre launched in 2008 its Catraia Card.

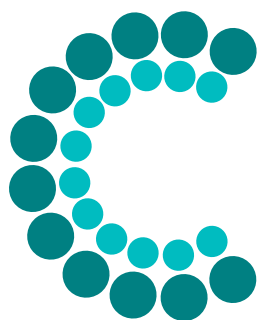
¹¹ Sustainable economic orientation tools should deal with the decrease of exhaustible material exchanges and the increase of renewable immaterial ones to achieve prosperity. For example, thanks to the participatory democracy management of this community currencies circulation with an income maximum and minimum quota and an exchange rate control. Thus, by controlling the circulation of currencies linked with either materialist or post-materialist exchange, we would promote a democratically defined economic orientation.

Acknowledgements

The author gratefully acknowledges the contribution and support of all directors and examiners of the research oriented thesis which inspired this paper: especially Heloísa Primavera, Lala Deheinzelin, André Carvalho, Celso Sekiguchi and Roland Vaxelaire for their review, criticism and orientation on this research oriented thesis. Jean-François Noubel, Claude Perigaud, Miguel Yasuyuki Hirota, Sophie Huet, Christophe Cesetti, Celina Whitaker, Carlos De Freitas have also participated in this paper through useful references. The author also acknowledges Dr Gill Seyfang, Professor Colin C. Williams, and Dr Noel Longhurst for giving the opportunity to write this article for the International Journal of Community Currency Research.

References

- Brenes Erik (2009). STRO Foundation, Bogota. Available on <www.socialtrade.org>. Consulted the 15th of December 2009.
- CPCD (2009). Relatórios técnicos. Centro Popular de Cultura e Desenvolvimento (CPCD), Belo Horizonte.
- Deheinzelin Lala (2009). Novos bancos e moedas. In: SEMINÁRIO CRIE FUTUROS IBERO AMÉRICA- NOVOS BANCOS E MOEDAS, 1., 13th and 14th of October 2009, São Paulo. Presentation. São Paulo: CRIE FUTUROS.
- Espaço Cubo (2009). Projeto de implementação de moedas complementares em comunidades pe. Espaço cubo, Cuiabá.
- FBES (2009). Banco central reconhece a importância da rede de bancos comunitários para o desenvolvimento do país. Fórum Brasileiro de Economia Solidária (FBES), São Paulo, 24th of November 2009.
- Félix Tatiana (2009). Moedas sociais crescem e fortalecem economias locais em todo o país. ADITAL, Agência de Informação Frei Tito para América Latina, Fortaleza, 23rd of September 2009. Available on <www.adital.com.br>. Consulted the 15th of March 2010.
- Freire Marusa Vasconcelos (2009). Social economy and central banks: legal and regulatory issues on social currencies (social money) as a public policy instrument consistent with monetary policy. Norwich: International Journal of Community Currency Research Vol 13 pp.76-94.
- Greco Thomas H. Jr. (2009). The end of money and the future of civilization. Vermont: Chelsea green publishing company.
- Jackson Tim (2009). Prosperity without growth? The transition to a sustainable economy. Sustainable Development Commission, London.
- Lemos Ronaldo, Castro Oona (2007). Open business models Latin America. Centro de tecnologia e sociedade da FGV DIREITO RIO, Rio de Janeiro.
- Lietaer Bernard, Kennedy Margrit (2008). Monnaies régionales, de nouvelles voies vers une prospérité durable. Paris : Éditions Charles Léopold Mayer.
- Lima Carlos A. Fróes et alii (2009). Programa ecoelce de troca de resíduos por bônus na conta de energia. In: V CONGRESSO DE INOVAÇÃO TECNOLÓGICA EM ENERGIA ELÉTRICA (V CINETEL), 5., 24th of June 2009, Belém. Annals. Belém: ANEEL.
- Noubel Jean-François (2004). Intelligence collective, la révolution invisible. TheTransitioner.
- Pitts Natasha (2009). Projeto de lei vai regulamentar atuação de bancos comunitários. FACES DO BRASIL – Portal de Comércio Justo e Solidário, São Paulo, 1st of October 2009. Available on <www.facesdobrasil.org.br>. Consulted the 15th of March 2010.
- Primavera Heloísa (2009). Moedas sociais, clubes de troca na Argentina e o projeto SOL na França: lições a serem lembradas. In FINANÇAS SOLIDÁRIAS E REDES DE TROCA: EXPLORANDO IDÉIAS; PROJETOS E OPORTUNIDADES, 28th of November 2009, São Paulo. Presentation. São Paulo.
- Rodrigues Ivete, Barbieri José Carlos (2008). 'A emergência da tecnologia social: revisitando o movimento da tecnologia apropriada como estratégia de desenvolvimento sustentável'. Revista de Administração Pública, Rio de Janeiro: FGE- EBAPE, Vol 42(6) pp.1069-1094, November/ December.
- Sanches Mariana (2009). 'Todas estas notas circulam no Brasil'. Época, São Paulo, 23rd of March 2009.
- Segundo João Joaquim de Melo Neto (2008). 'Banco palmas... um caminho'. Boletim responsabilidade social e ambiental do sistema financeiro, Banco Central do Brasil, Brasília, Vol 29(3), April.
- SENAES (2010). 'Acordo de cooperação com banco central'. Boletim Informativo, Brasília: Secretaria Nacional de Economia Solidária, (3) p.1, March.
- Shephard Dorkis Georgette (2009). Monedas de trueque en Venezuela. In: SEMINÁRIO CRIE FUTUROS IBERO AMÉRICA- NOVOS BANCOS E MOEDAS, 1., 13th and 14th of October 2009, São Paulo. Presentation. São Paulo: CRIE FUTUROS.
- STRO (2010). C3 Uruguay. Social Trade Organization Uruguay. Available on <www.stro.org.uy>. Consulted the 15th of March 2010.
- Swan Melanie (2008). Economics of the future plus ça change. Palo Alto: MS Futures Group, 2008.
- The Hub (2010). Enrede-se no Hub-SP: cultura de abundância, valores e networking por um mundo melhor. The Hub, São Paulo, 2010. Available on <<http://enredesenohub-sp.ning.com>>. Consulted the 15th of March 2010.
- Viveret Patrick (2002). Reconsidérer la richesse. Paris: Aube.



IJCCR

L'Accorderie and Le Jardin D'Échange Universel (JEU) in Quebec: A comparative case study

Mathieu Lizotte and Gérard Duhaime

Department of Sociology, Laval University
mathieu.lizotte1@ulaval.ca; gerard.duhaime@soc.ulaval.ca

Abstract

This paper compares two of the most successful community currency systems in the province of Quebec, Canada: l'Accorderie and Le Jardin d'Echange Universel (JEU). The paper compares their founding principles and organisational structures, and their mechanisms and mediums of exchange. While the former is quite well-institutionalised and attempts to operate professionally, 'within the system', the latter is a volunteer-run initiative with more ambiguous status. The paper attempts to evaluate their impacts, where data is available, and concludes that while both exchange systems have their pros and cons, a definite advantage for l'Accorderie is that its legal status gives them better access to funding which ultimately permits them to offer their members the means by which to form an economic strategy in both the informal economy, through exchanges, and in the formal economy, through microcredit and participating in the monthly buyer's group. This is particularly important to its poorer members where every dollar saved by making local exchanges can be used to improve their material well-being in the formal economy.

Introduction

The wave of community currency systems appears to have reached the Province of Quebec, Canada, in the mid nineties (Boulianne 2006). Since that time, several systems were established in several communities, although only a few appear to have stood the test of time. Arguably, the two most successful models among these are l'Accorderie and Le jardin d'échange universel (JEU), as can be observed from their relative growth and stability. In this paper, based on research conducted as part of a Master's thesis in sociology at Laval University, we will compare these two community currency systems in Quebec city. While they are both part of a greater network, our case study will concentrate on their local branches located in Quebec city and not on the whole network. The findings are based on a qualitative study of both exchange system which includes 15 interviews with members, 4 interviews with coordinators, 20 hours of participatory observation, as well as archival data provided by each system. The fieldwork began in October 2008 and lasted until March 2009.

L'Accorderie ¹ was founded in 2002 as a social economy initiative by a community foundation

and a local credit union with the manifest goal of alleviating poverty and social exclusion, while JEU was founded in 1998 by a group of ad hoc community members who were inspired by other JEU branches based on a model developed by Daniel Fargeas. L'Accorderie in Quebec City is the founding branch of a network of community currency systems which now operates in four other communities ², while JEU in Quebec city is a branch of another network which originated in France and which currently has six communities in the Province of Québec. ³ In terms of size, l'Accorderie has over 750 active members, while JEU has approximately 120 members.

The Founding Principles and Organisational Structures

The first principal difference that we observed is in their founding principles and organisational structure. As a self-proclaimed social economy initiative, l'Accorderie attempts to alleviate poverty and social exclusion guided by the principle of economic independence (Bilodeau & Le Bossé 2009); while JEU is more a grassroots initiative based on volunteer

International
Journal of
Community
Currency
Research

www.ijccr.net

community involvement which aims to promote local exchange and cooperation. The former is a registered non-profit organisation with a trademark, while the latter is non-registered and actually has no legal status whatsoever. L'Accorderie sees itself as part of the social economy by which they imply that they are a community organisation part of civil society which attempts to establish a cooperative economic model. Whether or not its founders, staff, or members, have a critical perspective of capitalism on a personal level, L'Accorderie takes no formal critical stance on the matter. Their role, as they see it, is to facilitate relationships of economic solidarity between its members. In contrast, JEU strives to offer a universal exchange system which works, in theory, independently of state authority and national borders. As Boulianne has noted, the JEU organisational structure strives to be "horizontal, acephalous and

If we were to caricaturise, we might say that one currency tries to work from within the system while the other tries to operate outside of the system.

informal" (2005: 180). If we were to caricaturize, we might say that one tries to work from within the system while the other tries to operate outside of the system. While they also do not take a formal critical stance on capitalism, their system of exchange does not exactly fit in the state model and could potentially come into conflict with state authority. We have seen a foreshadow of this in the 1996 law suit in Ariège, France, where three members of a SEL were found guilty but later pardoned for working 'under the table'. Arguably, the state has been rather permissive up to this point as local currency exchange is such a small scale phenomenon. We could expect that the state shall not attempt to control local exchange until it determines that it loses more on tax evasion than the cost that such control would impose on its legal apparatus. This remains to be seen.

This organisational difference has several lasting consequences. Firstly, while most community currency systems generally operate on a shoestring budget with limited resources (Seyfang 2002), as a social economy initiative, L'Accorderie has access to funding from the non-profit sector and from community

philanthropic organisations. In this regard, L'Accorderie is rather exceptional as its founding organisations have committed long term annual funding of \$100,000. This allows them, among other things, to rent office space and employ three full time employees. Clearly, a full time staff has made it possible for L'Accorderie to offer a reliable and stable service to its members. This alone probably largely explains why L'Accorderie has roughly 8 times the members of JEU. A reliable and efficient system is particularly of importance to its poorer members whose material well-beings are more dependent on local exchanges. A full-time staff also allows them to offer special assistance to some of its members. For instance, the staff may act as a sort of matchmaker for members who have urgent needs or have had difficulty in finding exchange partners. In contrast, JEU does not have any official funding and is run entirely by volunteers. While a devoted contingent of volunteers may arguably accomplish as much as a full-time staff, it is doubtful it can do so as well and with the same regularity in the long run. The maintenance of devoted volunteers appears to be a constant challenge for them. Indeed, JEU has had chronic difficulty for several years to find volunteers to take leadership of the organisation. As a result, social activities which were once held on a monthly basis now occur irregularly every six months, or even once per year. Email correspondence and inquiries are not being responded regularly to and minutes of meetings are not being kept. Since JEU does not keep a centralized record of the transactions of its members, it is difficult to measure the activity of its members. Our findings suggest that its members have become rather inactive and only make exchanges sporadically. While other branches of JEU may have had better success, the Quebec branch appears rather dormant at the moment.

Also, as a result of substantial funding, L'Accorderie has several meeting rooms available to its members in which to hold activities or perform an exchange. The latter case is particularly important for members who offer services which require an interior space or for those who are not comfortable inviting another member in their home or meeting in a public space. These meeting rooms have made it easy for L'Accorderie to organize several activities monthly, while JEU only holds social activities sporadically. During

the period that we collected our data, JEU usually held its activities in a local cooperative bar; a location which was not considered agreeable to some JEU members who would prefer a local community hall or an establishment where no alcohol is served.

The second lasting consequence of the organisational structure is that l'Accorderie's substantial funding in legal tender has permitted it to offer microcredit to its members. As one of the funding organisations is a cooperative bank, l'Accorderie has a special fund available for this purpose. Since 2002, l'Accorderie has loaned out \$137,648 in microcredit. Specifically, they offer microcredit loans in legal tender up to \$1000 at a rate of 4.5% simple interest with a maximum repayment period of two years. Loans are usually given for the purchase of household appliances for the members who rarely have the necessary savings to purchase them without resorting to rental plans which typically prove rather costly in the long run. The repayment plans are negotiated and designed according to the needs and financial situations of the loan takers. In contrast, JEU is not in a position to offer microcredit loans. While it can offer much assistance to its members in facilitating local exchanges, it cannot offer any assistance in legal tender when dealing with the formal economy.

The Medium of Exchange

The second principal difference that we observed, after the founding principles and the organisational structure, is the type of community currency used by each system. Similarly to the Time Bank model, l'Accorderie's medium of exchange is based on time while JEU's is based on an arbitrary unit of exchange simply called "points", similar, in this regard, to pounds, dollars, yen, et cetera. The main consequence from this is that l'Accorderie imposes a moral value of equality to its exchanges where one hour of work is worth one hour no matter the nature of the work exchanged. In contrast, while other branches of JEU also anchor their exchange on time, the Quebec branch allows its members to negotiate their own prices. That being said, it would be inaccurate to affirm that their value of exchange is determined by the same supply and demand process found in the formal economy.⁴

Indeed, while JEU members may negotiate their own prices, their founding philosophy openly affirm that its members should strive to make fair exchanges that are based on mutual benefits rather than profit making. So while JEU allows their members to negotiate prices, they clearly attempt to institutionalize a form of exchange which rationalizes certain values which are in some ways divergent from those in the formal economy. As a recommendation, JEU offers a rule of thumb that 60 points should more or less equal an hour of work, however, they do allow for the provision that the nature of all work is not equal and therefore members may choose to pay more or less accordingly. As Marx (1935) argued, to impose equality of wages when not all work is of equal value would itself commit an inequality. So while at first glance the medium of exchange of JEU may resemble legal money, it differs significantly in terms of the values it attempts to institutionalize.

Our research suggests that to become a member of l'Accorderie and JEU, one must essentially adhere to what we may refer to as its core values; that is a form of exchange based more on cooperation than profit making. While the members we interviewed clearly had material incentives to participate in community currency exchange, their mindset was more orientated towards solidarity than profit in the conventional sense. This observation was supported in part by the members we interviewed who clearly did not have a solidarity mindset. These members had joined either l'Accorderie or JEU without clearly understanding the type of exchange they promoted. We observed that these members felt substantial frustration as they tended to approach community currency exchange with a liberal mindset. For example, for these members, to exchange a service, say accounting, that was valued more in the formal economy for a service, say gardening, which was valued less was not only irrational but sometimes even considered charity. While they attempted in some ways to apply a different set of values to the exchange, they were clearly unable to sufficiently change their mindset in the context of local exchanges. In contrast, while the other members we interviewed had joined for various reasons, both personal and ideological, the values of cooperation and solidarity sought for in local exchanges were seen as rational.

Table 1: An overview of differences between L'Accorderie and JEU community currency systems in Quebec

| | L'Accorderie | JEU |
|----------------------------------|---|--|
| Founded | 2002 | 1998 |
| Part of a larger network | Yes | Yes |
| Approximate membership | 750 | 120 |
| Official goals | The alleviation of poverty and social exclusion; solidarity | To provide a universal exchange system; solidarity |
| Model | State model, legal non-profit status | Grassroot model, no legal status |
| Type of organisational structure | Formal society; boards of directors; executive board | Horizontal, acephalous and informal |
| Legal status | Registered non-profit | Unregistered; no legal status |
| Human resources | Full-time staff | Volunteers |
| Budget | Funding, \$100,000 | Minimal, shoestring |
| Transaction system | Centralized records | Decentralized records |
| Office space | Yes | No |
| Microcredit | Yes | No |
| Social activities | Regular, Monthly | Sporadic |
| Activity rooms | Yes | No |
| Buyer's group | Yes | No |
| Medium of exchange | Based on time | Arbitrary point system |
| Values of exchange | Fixed on time; one hour of any work equals one hour, no exception | Recommendation that 60 points should equal approximately one hour of work. |

Conclusions

Our case study revealed two principal differences between L'Accorderie and JEU. Firstly, we saw that L'Accorderie operates in the legal structure of the non-profit sector, while JEU's legality remains rather ambiguous. Although JEU is not an illegal operation per se, its non-registered status could potentially bring it into conflict with the state over fiscal issues. It would appear that local exchange operates in a rather grey area between informal exchange and market exchange. While formalizing exchanges between family members and friends would be largely politically and culturally unviable, community currency systems have the potential to increase what we may refer to as the traditional boundaries of informal exchange. That is, whereas typical informal exchange occurs between family members, friends and degrees of acquaintances, community currency systems expands this boundary to strangers belonging to the same voluntary association. This raises

the legal question of where does the civil right of exchanging informally become tax evasion. If community currency systems continue to grow in the next decades, we can expect a political debate over this issue as it will become harder and harder to ignore. As Gregory (1996) demonstrated, a currency, or more precisely, its standard of value, is a political standard of value which expresses the values of the dominant powers. It is doubtful at this point that community currencies undermine the Westphalian monetary system, to use Cohen's (1998) term, that is the monetary monopoly the state holds over its territory, but they do question what we may refer to as the boundaries of the "social territory".

Secondly, we saw that L'Accorderie and JEU do not use the same medium of exchange; the former is based on time while the latter is based on an arbitrary point system. Despite of this, both are similar in the sense that they attempt to rationalise values of economic solidarity in their exchange which may be

placed in opposition to the liberal values which are firmly rationalised in the formal economy. Our results suggest that individuals who adhere to the values of solidarity and cooperation are more likely to become members of community currency systems and to remain active.

While both exchange systems have their pros and cons, a definite advantage for l'Accorderie is that its legal status gives them better access to funding which ultimately permits them to offer their members the means by which to form an economic strategy in both the informal economy, through exchanges, and in the formal economy, through microcredit and participating in the monthly buyer's group. This is particularly important to its poorer members where every dollar saved by making local exchanges can be used to improve their material well-being in the formal economy.

Our data suggests that the most economically vulnerable members are more likely to be a member of both community currency systems as a way to expand their possibilities. However, since the apparent decline of activity in JEU, these respondents gave priority to local exchanges in l'Accorderie as they considered it more stable and reliable. On the other end, the most ideologically left-wing respondents, while generally giving their support to both types of systems, more readily identified with JEU's grassroot model whose non-registered status appeal to their somewhat anarchic sensibilities.

When compared to other community currency systems which have appeared in the Province of Quebec, such as Troc tes Trucs and BECS, l'Accorderie and JEU clearly stand out as exemplary models. When compared with each other, it is not so straightforward to determine which one has had the greater success as JEU does not keep detailed records. While we know that the Quebec Accorderie branch has facilitated over 17,402 hours⁵ of services since 2002, there is no way to give a similar figure for JEU. Nonetheless, our research suggests that, in terms of the Quebec branches, l'Accorderie has had the most positive impact on the community. That being said, we do not have the necessary data to compare both networks of community currency systems in the Province of Quebec, and branches in other regions may have attained different levels of success.

For the time being, l'Accorderie appears to be expanding steadily and several other communities have already manifested an interest in launching their own branch. In fact, l'Accorderie has recently founded a regional board with representatives from each branch in order to better administer the network as well as to institutionalise a way to share and provide expertise.

Endnotes

¹ The name is a neologism which stems from accord, meaning deal. The literary translation of l'Accorderie would be "The Dealerie", a place where deals are made.

² Trois-Rivières (2006), Montréal Nord (2007), Montréal Hochelaga-Maisonneuve (2008), Shawinigan (2010).

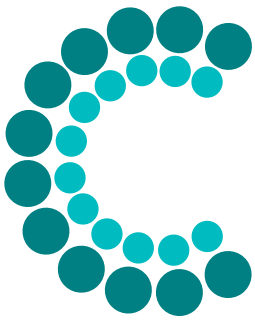
³ Laurentides, Montréal, Montréal-Ouest, Outaouais, Québec, Sherbrooke.

⁴ We use this term as a simplification of course since market forces are a complex set of social relations, objectifications of rules and constellations of values which are rationalized in the norms of exchange.

⁵ This number excludes the transactions which were done by the 557 members which are not longer considered active.

References

- Bilodeau, A., Le Bossé, Y. (2009) 'L'Accorderie : illustration concrète d'une pratique explicitement structurée à partir de l'approche centrée sur le développement du pouvoir d'agir des personnes et des collectivités'. *Passerelles*, Vol 1(1), pp. 66 - 90.
- Boulianne, M. (2005) 'Les systèmes d'échange de proximité: une économie politique du temps et de la consommation'. In Ferrando y Puig, J., Giamporcaro-Saunière, S. (Ed.) *Pour une « autre » consommation. Sens et émergence d'une consommation politique*. L'Harmattan, Collection Dossiers Sciences Humaines et Sociales, Série Consommations et Sociétés: Paris pp.179-193.
- Boulianne, M. (2006) 'The movement for an economy of solidarity: Urban agriculture and local exchange trading systems in Quebec'. *Research in Economy Anthropology*, Vol 24, pp. 261-297.
- Cohen, B. (1998). *The Geography of Money* Cornell University Press, Ithaca.
- Gregory, C. (1996). "Cowries and Conquest: Towards a Subalternative Quality Theory of Money" *Comparative Study of Society and History*, Vol 38, No. 2, pp. 195 - 217.
- Marx, K. (1935) *Value, price and profit: Addressed to working men*, G. Allen & Unwin, London.
- Seyfang, G. (2002) 'Tackling social exclusion with community currencies: learning from LETS to Time Banks'. *International Journal of Community Currency Research*, Vol 6, pp. 1-11.



IJCCR

Kékfrank to boost the resilience of locality

Zsuzsanna Eszter Szalay

Covinus University of Budapest Department of Business Economics
zsuzsanna.szalay@uni-corvinus.hu

Abstract

A small group of entrepreneurs in Sopron (Hungary), led by Tamás Perkovátz, decided in autumn of 2008, to make the local economy - which was previously famous for its grape and wine - prosper again, and to unite the economies of the area cut into three parts, belonging to three different countries. Thus they created an European Cooperative Society (SCE), that had individuals and legal entities from Hungary, Austria and Croatia as members, and the goal of the Cooperative was defined as to introduce and operate a complementary currency Kékfrank (blue franc, named for a wine variety), to be used within the region. This paper presents the European Union directives and regulations that made the creation of Kékfrank possible and finally it shows the main characteristics and possible further developments of the new currency which was born in spring of 2010 through the first official exchange.

Introduction

Money is the infrastructural factor ensuring division of the labour within the community: it enables exchange of information, energy, service and material between the participants of the activity trade². It should not rule, but serve the citizens and community, so it is an important part of the common property. That means, that the money system, as common property should serve the cooperation within the locally organized and natural order evolved community.

Historical background

A small group of entrepreneurs in Sopron (situated near the western borders of Hungary with a population of 57 thousand) decided in the autumn of 2008, to make the local economy prosper again. They created a complementary currency, called Kékfrank (meaning 'blue franc', similarly to the name of a famous red wine from the region).

Before that time a wide theoretical movement was arising: in the first year of the 20th century Síklaky translated and diffused the basic work

of Gesell (Gesell, 1906). The Hungarian green money movement was presented in detail by North (North, 2006, in Hungarian: 2008). Since then, due to the economic crisis, the need even strengthened towards them, but also the theoretical basis widened. The spreading of Internet helped the circulating of alternative ideas, the organising of civil conferences, presentations, the intensifying of LETS circles and last but not least the creation of two link-directory website on this subject.

From the mainstream side also some good ideas arrived: banks and companies in Hungary introduce more and more complementary currencies, like bank cards, point collecting cards, food and travel vouchers, mobile payments. These are technical complementary currencies, which decrease transaction costs, and/or specify the use of the money. Compared to these, economical complementary currencies (like Kékfrank and other initiatives) stimulate the economy for the given region through creation of loans and increasing the circulating speed of money, by linking local production with local consumption they contribute to relative independence and sustainable development of the region.

International
Journal of
Community
Currency
Research

www.ijccr.net

The economical conditions of Sopron (the city of Kékfrank) are strongly connected with the social-economical situation of entire Hungary. It should be described beginning from the last Century: Austro-Hungary was a monarchic union, besides the joint governance in the areas of war, foreign affairs and finance, both countries kept their independence regarding territory and finance. Following the 1st World War, Hungary lost 71.5% of its territory, 59.1% of its total and 32.2% of its Hungarian speaking population. The majority of the area of Burgenland, which included Sopron as well, was attached to Austria. The once organic social-economical relations were broken, but the country borders remained still permeable. Following the 2nd World War, in the time of the iron curtain, the isolation became complete. Almost no development resources arrived to the city close to the border in the time of socialism.

During the transition economy in the years 1989-1998, the centrally planned economy changed into a free market economy. The state-owned companies were liquidated, their activity, for the most part, stopped. The Hungarian economy declined, the number of employed decreased drastically and the import dependency increased. These tendencies did not change since that, but moreover strengthened up to present times. Local retail industry declined, and multinational chains started to gain market (Székely, 2010). It is to be emphasized that this transition economy was very different from a transition movement based on permaculture, also the consequences were very controversial.

The appearance of a new form of enterprise, the European Cooperative Society - abbreviated as SCE (EC, 2003), based on the Latin Societas Cooperativa Europae - was an important prerequisite to the introduction of the Kékfrank.

At the end of the socialism, the citizens of Sopron created history by organising the Pan-European Picnic, the initiation of the union of the German population (Nagy, N/A).

The first idea

The regulatory and market environment at the time of the introduction of the Kékfrank was rather concentrated and dependent upon

products and supply coming from outside the region. From 1993 companies started to use the system of (meal and vacation) vouchers for the transmission of non-wage allowances. The three French companies, Sodexo Pass, Accor Services, and the Chèque Déjeuner soon almost completely covered the whole Hungarian market. The system of vouchers strengthened further from 2006, during the economical restriction in the country, since this form of allowance resulted in tax saving for the companies. The emitters transfer the value of the vouchers to the voucher accepting companies upon the redemption of the vouchers. Their profit comes from the fact that between the day of emission and the day of redemption, they can use the value of the vouchers as capital resource.

The creator of Kékfrank, Tamás Perkovátz undertook the local transmission of allowances in kind in 2007 as one of the most renowned restaurant owners in the city. He introduced a hot food voucher that could be used in his own restaurant and in other restaurants as well and later cold food, gift, and school vouchers, as single-use complementary currency under the name of HAMI. (The name has dual connotation, meaning "tasty morsel" and also "if we" in Hungarian.) He introduced almost every type of vouchers, that the above mentioned French companies introduced, but his goal was for his vouchers to be accepted in only Hungarian owned shops and restaurants. The different types were accepted in 60-70 municipalities; of course they were most popular in Sopron, where they were accepted in around 180 places. The density of the participating vendors was higher near the local market, so it is likely that this also helped this market to survive its economical downturn. The HAMI vouchers were and are very beneficial both for the company of Tamás Perkovátz and for the voucher accepting companies. On one side capital resources are created, and on the other side the turnover is increased.

The innovation: Kékfrank introduced by European Cooperative Society

The appearance of a new form of enterprise, the European Cooperative Society - abbreviated as SCE (EC, 2003), based on the Latin Societas Cooperativa Europae - was an important prerequisite to the introduction of the

Kékfrank. The EU member countries had to introduce this form into their own national legislation before 18th August 2006. The aim of the European Parliament and Council was to promote cross-border co-operations by creating forms of enterprise that can appear as one legal entity in the whole area of the Union. One of these is the SCE. (The other two are: European Public Limited – Liability Company, which is Societas Europaea, SE, and the European Economic Interest Grouping, EEIG.)

The combination of the form of Cooperative Society and complementary currency can seem obvious, because the Cooperative Society is a democratic institution, where the members possess equal voting rights in a transparent way, but its cross-border variant is by all means a novelty.

The legislation procedure, through which the 2007/64/EC European Union directive (EC, 2007) - Payment Service Directive was adopted into the Hungarian legislation also supported the creation of the Kékfrank. This legislation is important for two reasons:

- It introduced a new form of enterprise, the payment institution for the offering of payment services (OJ, 2007, pp.9-15.),
- It defined within the payment services the emission and acceptance of the payment instruments that is, complementary currencies, and the payments by telecommunication, digital or IT devices (OJ, 2007, pp. 36.).

Although the Hungarian legislation in accordance with the above described directive came into effect a little later than the founding of the “HA-MI Összefogunk/ If-We Unite SCE”, on the 1st of November 2009 (Hungarian Parliament, 2009a, 2009b), it can be stated, that the change was to be expected, which helped the process of licensing. The SCE could not yet execute the payment services on its own, so it had to ask a financial institution (Rajka and Region Credit Union) to join the SCE as member, and to undertake this task.

The regulatory and market environment had four characteristics, as follows:

- To operate Kékfrank as a complementary currency, a strong, cross-border form of enterprise, the SCE was chosen, which made a relatively independent, self-governing operation possible in accordance with the principle of subsidiary appearing also in the treaty of Lisbon.
- The Kékfrank was built on the participating group of an already operating, single-use complementary currency, so-called purchase voucher. Behind both were to be found the same small group of people, enthusiastic patriots.

- The Kékfrank is in accordance with the recommendation of Robertson (Robertson-Bunzl, 2003): entrepreneurs of one sub-region are supporting it, but extending Robertson's recommendations a cross-border region is supporting it, which intends to achieve monetary reform on the local level.
- If a community intends to introduce a complementary-community currency ¹ in Hungary, it has the possibility to achieve this not through a bank, but through a payment institution (by itself or by outsourcing).

Some data and facts

Some concrete data about Kékfrank, as complementary currency and the SCE supporting it:

- The “HA-MI Összefogunk/If-We Unite Limited Liability European Cooperative Society” was founded by 123 members, entrepreneurs and individuals, through purchase of 385 shares, each worth 100 Euros. Thus, the SCE was founded with 38,500 euro authorized capital, on the 29th November 2009, the day of the saint of the city.
- The strategic partners of the SCE are:
 - Rajka and Region Credit Union
 - Chamber of Commerce and Industry
 - Industry Corporation of Sopron and Its Environs
 - University of West Hungary Faculty of Economics
 - CIG Pannónia Insurance Company
- This list indicates that the small group of enthusiastic people succeeded in convincing the decision forming platforms of the city to support the initiative.
- To become member of the SCE, the recommendation of a member, the purchase of minimum 1 (maximum 40) shares of 100 Euros each, the acceptance of the statutes, and the approval of the board of directors of 5 members is needed. (Possessing more shares does not result in stronger voting rights.) The members consent to accept and use Kékfrank as local currency.
- The main goal of the SCE is to stimulate economy in Sopron and its environs with the help of the Kékfrank complementary currency, in a cross-border setting, through the enterprises of its

members, encouraging the purchase of locally produced goods and services.

- The paper version of the Kékfrank complementary currency (abbreviated Kfr) was printed by the Hungarian Banknote Printing Ltd. http://www.penzjegynyomda.hu/index_e.html.
- The first official exchange took place on the 7th May, 2010.
- The currency (<http://kekfrank.hu/de/utalvany.php>) similarly to the forint, has 6 different denominations: 500Kfr, 1000Kfr, 2000Kfr, 5000Kfr, 10 000Kfr and 20 000Kfr; but no coins exist, if these are needed, the forint can be used.
- The Kékfrank note has 7 security features, including watermark, individual serial number and ultra-violet colours.
- Kékfrank is 100% backed by forint, it can be acquired with forint (1 Ft=1Kfr) in the branches of Rajka and Region Credit Union in two locations in Sopron. The acquirement is limited: only members and participating vendors may claim the currency. The paid-in forint amount pays interest at the level of the base rate of the Central Bank of Hungary, for the benefit of the acquirer and the community. Only the first owner of Kékfrank is entitled to receive interest (shared with the community by a ratio 1:4) – one who receives Kékfrank from someone else through a transaction will not receive interest.
- The Kékfrank can be circulated freely, it has no expiry.

Since the Kékfrank does not pay interest, it is foreseeable, that it will circulate faster than the interest-paying forint. According to the local monetary policy regarding this currency, to prevent the redemption of the Kékfrank, 2% + VAT redemption tax is charged at the act of redemption.

Summary: what has been done and future goals

Kékfrank is a very new type of local initiative; there are some specialities, moreover rare features and a very innovative characteristic about this Complementary Currency:

- Kékfrank was created not because of the reason to fight poverty, but by a patriotic community, who wanted to reorganize the once organic social-economical relationships.
- It was inspired by (and based on the network of) a system of single use meal and vacation vouchers, a form of non-wage allowances. It means that the

starting structure of Kékfrank was final consumer-oriented. If the entrepreneurs buy vouchers for Kékfrank, it increases the circulation of Kékfrank. This is a second speciality.

- The local attendance established a cooperative to make their relations stronger. The whole Kékfrank based supply-chain should build up from its endpoint. It demands a very active economic-organizer work. Chains should create closed loops. This is not new; this is the essence of cooperativeness.
- But there are only a few cases, where the complementary currency belongs to a cooperative (WIR in Switzerland, RiverHOURS in Oregon, US), so this is a rarity. It is could be stated that small and local are good, but beautiful only if they can be bought or sold with own currency.
- Kékfrank was introduced by a new form of enterprise: European Cooperative Society (SCE) This way Kékfrank unites the areas separated by the country-border in economical and cultural ways and makes the broken relationships alive again. It is in accordance with the legislation and the aims of the EU. This is a very important innovation.

To develop this system, support of the local and national economic leaders and experts was won, and the first Hungarian SCE was founded to perform this task, a long licensing procedure was accomplished, the rush of the media had to be handled. The patriots of Sopron regard the founders of the Swiss WIR as examples to follow; they even visited them in Basel. Future objectives include the introduction of electronic, bank card payments besides paper based transactions and the launching of Kékfrank-loan activity.

The real test is coming only now: The members of the SCE have to use the new currency for their transactions as intensively as possible, like in a big ball-game: the money-ball may not fall down, nor go outside by being exchanged to forint. The economic development concept of the citizens of Sopron can become reality only in this way.

Then will become true the motto of Kristóf Lackner, famous, Europe-renowned long-ago mayor of Sopron: "Mergitur non submergitur", that is "Adrift but not submerging".

Acknowledgements

The author is thankful for the help and encouragement of István Németh in the preparation of this article.

Endnotes

¹ In my opinion, community currency is the ideal form of complementary currency, assuming that all fundamental needs can be met by it.

References

- OJ/Official Journal of the European Union - European Parliament and Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE) <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:207:0001:0024:EN:PDF>
- OJ/Official Journal of the European Union - European Parliament and Council Directive 2007/64/EC on payment services in the international market... (Payment Service Directive): <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:319:0001:0036:EN:PDF>
- 2007/64/EC Directive of the European Parliament and Council <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2007:319:0001:0036:HU:PDF>
- Gesell, Silvio (1906): The Natural Economic Order, Berlin. <http://appropriate-economics.org/ebooks/neo/neo2.htm>, published in Hungarian 2004.
- HA-MI Összefogunk/ If-We Unite: Kékfrank complementary currency study excursion to Switzerland (01.03.-03.03.2010.) http://kekfrank.hu/letoltes/svajci_tanulmanyut.html.
- Korten, David (2009): Agenda for a New Economy, Berrett-Kohler, 2009.
- Lietaer, Bernard (2001): Die Welt des Geldes. Das Afklärungsbuch, Arena Verlag
- Nagy, László (N/A): The Pan-European Picnic and the opening of the border 11th of September 1989 , <http://www.berliner-mauer.de/laszlo-nagy/lazslonagy-en.htm>
- Németh, István (2009): Surviving in small regions: Possibilities of the „Ant” Cooperative Society model in present times http://www.szorgos.hu/index.php?option=com_content&view=article&id=21&Itemid=23
- North, Peter (2006): Constructing Civil Society? - Green Money in Transition Hungary, Rev. of Int. Pol. Economy, Vol. 13, No. 1, pp. 28-52.; <http://www.jstor.org/stable/pdfplus/25124060.pdf>,
- LXIX. law, 2006, about European Cooperative Societies, Hungary <http://www.complex.hu/kzldat/t0600069.htm/t0600069.htm#kagy1>
- LXXXV. Law, 2009, about the offering of payment services, Hungary http://www.pszaf.hu/data/cms2087198/2009_LXXXVtv.pdf
- LXXXVI. Law, 2009, about financial institutions and financial services

CXII law, 1996. about modifications to the regulation about payment institutions and payment services http://www.pszaf.hu/data/cms2087197/2009_LXXXVItv.pdf

Perkovátz, Tamás (2010): Complementary currency and the stimulation of local economy (Presentation given in Sopron on 27th May 2010) http://kekfrank.hu/letoltes/perkovatz_tamas_kozgazdasz_klub.html and http://kekfrank.hu/letoltes/fizeto_eszkozunk_a_kekfrank.pdf

Robertson, James (2009): Money Values and Ethical Values. Curing the Mismatch Between Them. In: Laszlo Zsolnai (ed), Ethical Prospect: Economy, Society, and Environment, Springer Science-Business Media BV, <http://www.jamesrobertson.com/article/moneyvaluesandethicalvalues.pdf>

Szalay, Zsuzsanna (2008): The Revolution of Gentle Money, Working Paper, HU ISSN 1786-3031, Corvinus University of Budapest, Institute of Business Economics, <http://edok.lib.uni-corvinus.hu/284/1/Szalay93.pdf>

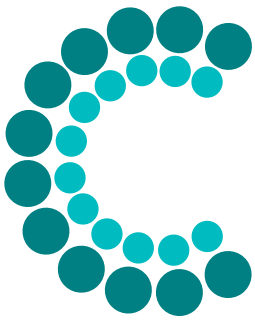
Székely, Csaba (2010): Complementary Currency and the Stimulation of Local Economy http://kekfrank.hu/letoltes/Komplementer_penz_es_a_helyi_gazdasag_elenkitese.pdf

Varga, István (2010): Market Economy without Capitalism (Presentation given in Sopron on 19th January 2010) http://kekfrank.hu/letoltes/varga_istvan_piacgazdasag_kapitalizmus_nelkul.html

Websites:

- <http://www.kekfrank.hu>
- <http://www.complementarycurrency.org/>
- <http://www.uea.ac.uk/env/ijCCR/>
- <http://www.jamesrobertson.com/>
- <http://alternativ-gazdasag.lap.hu/>
- <http://helyipenz.linkpark.hu/>

•



IJCCR

The SOL: A Complementary Currency for the Social Economy and Sustainable Development

Maries Fare

University of Lyon 2, Institut des Sciences de l'Homme
marie.fare@univ-lyon2.fr

Abstract

This paper reviews experience with The SOL, a very innovative and interesting complementary currency scheme which has been tested in France since 2007. It aims to contribute to the development of the social and solidarity economy, and contribute towards sustainable development. The SOL is the result of an informal working group who in 1998 examined the different models of existing complementary currencies schemes in the world. It aims to both introduce a new concept of wealth not exclusively based on money and to foster the social economy or third sector. Three different types of SOL are described: Co-operation SOL, Commitment SOL, and Dedicated SOL, and the paper reflects on the currency's strengths and weaknesses, and developmental issues for the future.

Introduction

A very innovative and interesting complementary currency scheme has been tested in France since 2007 in order to contribute to the development of the social and solidarity economy and contribute towards sustainable development. The SOL is the result of an informal working group who in 1998 examined the different models of existing complementary currencies schemes in the world. It aims to both introduce a new concept of wealth not exclusively based on money and to foster the social economy or third sector.

Three types of SOL

The SOL fits adequately onto the context of the experiment from the third sector or social economy to create a cooperative exchange scheme of social and ecological usefulness and thus combines three types of SOL in an electronic card (Delille and Whitaker, 2006). These are now described in turn.

1. Co-operation SOL

The "co-operation SOL" is a loyalty e-card created to promote the social economy activities and responsible consumption. The currency unit is in Euros (1 € = 10 SOL). The currency is linked to the Euro not only to avoid problems of conversion with time-based schemes but also inflation. SOL is backed by Euro in order to safeguard SOL's currency. But this security in Euro is limited because a "solist"¹ cannot convert SOL in Euro. An organization of social economy can give SOL points to a "solist", who can use them anywhere in the SOL network, i.e. in all organizations of social economy which participate to SOL. The SOL points bear "demurrage": the "solist" who does not use his SOL loses them gradually, which encourages the "solist" to spend them instead of saving them. The cancelled SOL points are invested in a mutual fund, managed by all the "solists" to support social economy projects. The aim of "demurrage" is to increase the circulation velocity of SOL, foster exchanges and avoid savings according to Silvio Gesell (1948).

International
Journal of
Community
Currency
Research

www.ijccr.net

2. Commitment SOL

The “Commitment SOL” aims to promote exchange time schemes and to make visible and accountable voluntary work. Like SEL or Time Bank, it is measured with time and it is used by time-based local exchange schemes. The latter mechanism is a mutual and free credit. The scheme is based on equality: one hour equals one hour, whatever the task. The objective is to enhance non-monetary activities and skills of each while developing social ties and conviviality. Another application is the possibility of combining local public services with voluntary work in order to develop exchanges between people who don't have much money.

3. Dedicated SOL

The “Dedicated SOL” is a voucher allocated by the public sector to specific target groups, allowing them to access specific goods or services suitable to reach the goals of the SOL scheme. This is a tool for public authorities. The dedicated SOL has several advantages. It helps include marginalised people in a larger circuit, giving them opportunity to participate in other SOL networks and to valorise their activities and capacities. In this way, the discrimination linked to traditional social vouchers disappears. But it can also guide consumption towards more environmentally friendly products.

Currently two components of the SOL, the commitment and dedicated ones, remain relatively undeveloped in the territories of implementation.² However some localities (for example Carhaix Brittany) have developed the dedicated SOL. Similarly the commitment SOL has been established in Grenoble. However, overall the SOL seems therefore more a green loyalty card like Wedge³ card or NU card⁴.

SOL: A multi-actor scheme

The SOL currency scheme is operational in seven French regions (Alsace, Aquitaine, Brittany, Ile de France, Midi-Pyrénées, Nord-Pas-de-Calais and Rhône-Alpes) and especially in certain localities in these regions including for example Carhaix, Grenoble, Lille, Rennes, Toulouse, Mulhouse, etc. Until the end of 2008 it was supported by a European program, EQUAL⁵, funded by the European Social Fund.

“The dedicated SOL has several advantages. It helps include marginalised people in a larger circuit, giving them opportunity to participate in other SOL networks and to valorise their activities and capacities. In this way, the discrimination linked to traditional social vouchers disappears.”

EQUAL supported SOL scheme up to 50% of funding during experimentation. Four organizations of social economy support it up to 20% of funding: “Chèque Déjeuner” (a worker's co-operative and one of the world's leaders in voucher issue and management), “Crédit Coopératif” (a co-operative bank), MACIF and MAIF (two mutual insurers).

Moreover, the SOL scheme operates in collaboration with many actors:

- The organizations of social economy or third sector, which could be, by statute, co-operative, mutualist or associative and which could offer goods and/or services as fair products, organic foods, solidarity tourism... Their aim is to encourage an economic, sustainable and local development. The participation of each organization to SOL network requires a certification. This certification contains four criteria. The first and the second are report to ethical and social issues (“contribute to an economy where the human has more place” and “developing democratic and cooperative practices”). The third criterion is environmental (“to contribute to a greener economy”) and the last refers to local economic development to “foster the creation of activities, the sustainability of jobs and involvement in the territory”.
- Regional government and public authorities who subsidize up to 30% and use SOL scheme as a tool for public policy. The integration of local authorities in the scheme gives it a highly innovative dimension. Indeed, it is rare that local authorities integrate these schemes and use money as a tool of public policy. In this context the SOL is in line with fourth generation schemes like NU card (Blanc and Fare, 2010).

- “Responsible consumers” who share the values of social economy and sustainable development and have a sustainable behaviour.

At the end of 2009 300,000 SOL had been in circulation, which is equivalent to 30,000 €. The SOL networks include 3,700 “solist” and 140 organizations of social economy. Critical mass of users, which is estimated at around 100,000 “solist”, is still far from being achieved and is relatively high, compared with other complementary currencies schemes. In fact, except the Red Global de Trueque in Argentina which counted over 5 million users (by adding all the members of all local associations), complementary currencies schemes involved few users. For example, in France, around 20,000 people take part in the SEL scheme (similar to LETS in United Kingdom). Also, reaching the critical mass is problematic. For this particular reason, it is necessary to establish a diffusion and promotion about what the SOL scheme is. But according to Jean-Philippe Poulnot, “Chèque-Déjeuner’s” R&D manager and SOL co-ordinator, one of the difficulties is to explain the complexity and innovation of the SOL scheme. For example, the idea of combining a co-operation SOL (in Euros) and a commitment SOL (based on time) was not an easy task for the project actors to understand. Besides, the communication campaign requires funds. It is difficult to avoid one other element. SOL scheme requires electronic technology, as point-of-sale (POS) scheme, chips cards and back-office, which not only request financial investment and technological know-how but also needs to educate users. This level of complexity and financial aspect might be a strong barrier for the development and reproduction of the SOL scheme.

Issues of SOL development

One of the major points of interest about SOL is that it combines several overall objectives with three dimensions including their own different goals (Fare, 2007). In fact, it combines three complementary currencies schemes in a single scheme: a loyalty card providing a purchasing power, a time exchange scheme (as Time banks) and a voucher. First of all, it allows to stimulate local activities and to develop a social economy network and its activities. Besides this, it promotes consumer responsibility in fostering local and sustainable consumption (a defined brand and a charter), such as fair agriculture, fair trade, goods and services produced by local organizations, public services. Secondly, it attempts to address social and economic exclusion by giving exchange possibilities in SOL network with commitment SOL and dedicated SOL. SOL has an economic impact. Then it promotes a sustainable development because it encourages the solidarity and sustainable behaviour of “solists”. The environmental objective is to promote more

consistent practices with the principles of sustainable development by stimulating responsible consumption. For example it fosters the decrease of emissions of greenhouse gas emissions related to transport through the development of local production, also through the promotion of local products, organic or not. SOL is in line with “political consumerism’s” objectives which “is the choice of producers and products with the aim of changing ethically or politically objectionable institutional or market practices. Their choices are informed by attitudes and values regarding issues of justice, fairness, non-economic issues that concern personal and family well-being, and ethical or political assessment of favorable and unfavorable business and government practice” (Micheletti, 2004). SOL can be used as an incentive to encourage the adoption of a certain type of behaviour, here, more responsible behaviour like sustainable consumption (Fare, 2009).

The strength of SOL is the synergy produced by the multiples actors. But it requires both increasing the diversity of businesses of social economy and the membership base for widening the range of available goods and services and the provision of funds.

The establishment of SOL raises questions concerning the conditions of emergence of a currency. Indeed, the SOL currently remains a relatively small sized scheme. Several explanations can be advanced to explain this phenomenon as the technicality of its implementation, human factors, funding problems, the psychological barriers, etc. Another explanation for the low diffusion may lie in the lack of civil society in taking again of a scheme introduced from the top. Unlike other complementary currency schemes, the SOL does not result from an initiative of civil society (grassroots innovations), but it is the product of an analysis in a workgroup and then it was implemented in experimental territories. He remains held on a pyramid with a strong influence of the top (Cheque Dejeuner, Credit Cooperative, MAIF and Macif) despite certain decentralization at the regional level. We can therefore assume that this structure sometimes leads to limit the room for manoeuvre of territories and communication difficulties between grassroots (“experimenters”) and top (“theorists”) is causing lack of collective and local taking again control of SOL. However, since the end of the experimental period (since the end of 2008), the SOL has entered a new phase of reflection and reorganization (since 2010), which might lead to greater freedom of implementation territories.

Endnotes

¹ A « solist » is a person who adheres to SOL.

² To know the development and to have more information of the SOL see the website: <http://www.sol-reseau.org/>

³ See the website: <http://www.wedgcard.co.uk>

⁴ See the website: <http://www.nuspaarpas.nl>

⁵ The EQUAL Initiative brings fresh ideas to the European Employment Strategy and the Social inclusion process. Its mission is to promote a better model for working life by fighting discrimination and exclusion on the basis of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation.

References

Blanc, J. and Fare, M. (2010) 'Quel rôle pour les collectivités locales dans la mise en œuvre de projets de monnaies sociales ?' XXXes Journées de l'Association d'Economie Sociale (AES) « Transformation et innovations économiques et sociales en Europe : quelles sorties de crise ? Regards interdisciplinaires », organisées par le Centre Interdisciplinaire de Recherche Travail, Etat et Société, Université Catholique de Louvain, Charleroi, Belgique, 9-10 septembre 2010.

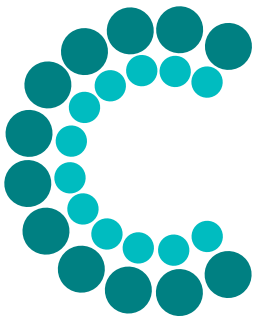
Delille, P. and Whitaker, C. (2006) 'Le projet SOL : pour retrouver le sens des valeurs'. In Blanc, J. (Ed.) Monnaies sociales, Rapport Exclusion et liens financiers 2005/06, Economica, Paris pp. 382-94.

Fare, M. (2009) 'Les monnaies complémentaires, des outils au service de la RSE ?' 4^e congrès du RIODD : "La RSE : une nouvelle régulation du capitalisme". Lille, 12 p.

Fare, M. (2007), 'Le rôle des réseaux dans la performance d'une idée : l'histoire du projet SOL, une monnaie à utilité sociale et écologique' Unpublished master's degree dissertation, University of Lyon 2.

Gesell, S. (1929), *The Natural Economic Order : a Plan to Secure an Uninterrupted Exchange of the Products of Labour* [1911]. Trans. Philip Pye. Berlin : Neo-Verlag.

Micheletti, M. and Dietlind, S. (2006) 'Concept of Political Consumerism'. In Lonnie, R. S. (Ed.) *Youth Activism—An International Encyclopedia*, Vol. 2, Greenwood Publishing, Westport



IJCCR

Building Local Resilience: The Emergence of the UK Transition Currencies

Josh Ryan-Collins

new economics foundation

josh.ryan-collins@new-economics.org

Abstract

This paper examines the emergence of a new type of local currency – ‘Transition Currencies’ - in the United Kingdom over the past 4 years. The Transition Currency ‘model’, shared by the initial four schemes, is explained and the theoretical roots of the schemes reviewed. The paper goes on to examine the success and limitations of the currencies and reflects on potential future developments and how the Transition currencies might upscale and deliver additional social, economic and environmental objectives.

Introduction

One of the most interesting developments in the UK complementary currency movement over the past 4 years has been the emergence of local paper currency schemes in ‘Transition towns’. Following Totnes in 2007, the towns of Lewes, Stroud and Brixton in South London have all successfully launched local ‘pounds’, the usage of which is restricted to independent businesses in their respective areas. Broadly speaking, the goal of the currencies is to help re-localise production and consumption and build economic ‘resilience’, a key tenet of the Transition movement. This paper sets the Transition currencies in context and reviews their progress so far.¹

The Transition Network

The Transition Network is a global grassroots movement of communities seeking to create greater local resilience and well-being in the face of the twin threats of climate change and peak oil. Transition thinking draws inspiration from permaculture and ecology as the basis for

reimagining how settlements and local economies might be able to adapt the shocks these two phenomenon will inevitably create without creating major social and economic dislocation. The notion of resilience is key to Transition thinking, defined as:

...the capacity of a system to absorb disturbance and reorganise while undergoing change, so as to still retain essentially the same function, structure, identity and feedbacks (Walker et al, 2004)

To create greater resilience, Transition argues for the re-localisation of many aspects of production and consumption, arguing that losses in narrowly defined efficiencies of scale are made up for in terms of reduced vulnerability to shocks because of greater diversity, just as in nature. Transition also involves collectively imagining a different low-carbon future for the area and the creation of an energy descent plan (EDAP).

The Transition movement is highly decentralised and non-hierarchical in structure and culture. Schemes are almost all not-for-profit and mainly dependent on volunteer

International
Journal of
Community
Currency
Research

www.ijCCR.net

labour. The emphasis is very much open active local participation and identity, positivity, innovation, creativity and collective action. There are currently around 270 active transition communities across the world, mainly in English-speaking countries.²

Transition Local Currencies

Local Complementary currencies have emerged as initiatives from Transition communities across England, normally from within transition groups' 'business' or 'economy' sub-groups. Three of the transition currencies are in towns in more rural areas - Totnes and Stroud in the South West of England and Lewes in the South East. The fourth, the Brixton Pound, is in inner-city London. All four of the schemes previously had active Local Exchange Trading Schemes (LETS) in the 1980s or 1990s and in some cases the same individuals who run the LETS schemes are involved. There are also a number of 'nascent' Transition currencies in the planning stages, including in Bristol, Canterbury and Camden. The schemes share the following broad goals:

- To enhance local economic resilience through encouraging more local production and consumption and limiting the 'leakage' of money from the local economy
- support and protect local independent businesses³ which:
 - protects jobs and livelihoods and
 - maintains the diversity and identity of the local area
- Create stronger connections between local people and businesses, boosting social capital and cohesion.
- Stimulate thinking and discussion about how money works and how local economies function and could be made more sustainable
- Promote the area, creating pride for its citizens, a sense of independence and attracting tourists
- Encouraging a self-help model of exchange and mutual support
- Reduce carbon emissions through reducing the transportation of products from long distances.

“The emphasis is very much open active local participation and identity, positivity, innovation, creativity and collective action.”

The hard currency model adopted by all four existing transition initiatives is broadly similar:

- Notes backed 1 to 1 against UK sterling, with a one- or two- year validity
- Notes in denominations of £1, £5, £10 (and in the case of Brixton £20 and Lewes £21) with multiple security features and featuring attractive and original designs reflecting local celebrities or places
- Currency can be accepted only by 'independent' (broadly defined) local businesses in (part-) payment for any goods or services
- Currency is 'sold' in to circulation via selected participating businesses (Stroud charges a 3% purchase fee which is donated to local charities) or given as change
- Currency can be exchanged back in to UK sterling at a 1 to 1 rate at selected exchange points (Stroud only allows registered traders to redeem notes and has a 5% redemption fee)
- Businesses are encouraged to offer discounts when customers use the currency to pay for goods, but attempts by Totnes and Lewes to introduce a compulsory discount were abandoned due to business dissatisfaction.
- Each scheme has a website and leaflet listing all participating businesses and information as to how the scheme works

The Stroud Pound has modelled itself more closely on the Chiemgauer complementary currency based in Germany (Gelleri, 2009). It has a 'demurrage' feature on the note requiring users to pay a 3% fee and have the note stamped every six months to maintain its value, the aim of which is to further increase the circulation of the note. The Chiemgauer was itself inspired by the writings of Silvio Gesell and the highly successful 'Worgl' currency that helped rebuild the town of the same name in Austria in the 1930s during the Great Depression (Gesell 1958).

Stroud also charges a 5% redemption fee and an annual membership fee for users and

businesses who join the Stroud Pound cooperative, a percentage of which is donated to a local charity of the consumers' choice. None of the other three currencies operate fee based membership schemes. Both Brixton and Lewes have a more informal membership scheme with members receiving a monthly newsletter updating them on the latest news.

In terms of organisational structure, Lewes and Brixton currency groups have both opted for the Community Interest Company (CIC) limited by guarantee status. The CIC model is seen to provide some of the advantages of both charitable and limited company status as it allows organisations to qualify for charitable donations but also allows them to make a surplus as long as that surplus is invested solely in the community. The CIC model also provides Directors with limited liability. Totnes started the process of registering as an Industrial and Provident Society but ran in to issues with the Financial Services Authority. Stroud, again following the Chiemgauer, is a cooperative and members are charged an annual fee. None of the other three currencies operate fee based membership schemes.

Theoretical Roots

The intellectual inspiration for the Transition currencies can be found in the work of authors such as Bernard Lietaer and Richard Douthwaite, who wrote on the need for local currencies to support local economies in the face of globalisation (Douthwaite, 1996; Douthwaite, 2000; Lietaer, 2001). Rob Hopkins, one of the founders of the Totnes Pound, was inspired by a talk he heard by Bernard Lietaer as part of a short course on 'The Future of Money' held at Schumacher College in 2006 in Totnes, Devon where Lietaer specifically referenced the U.S. Berkshares local currency. The Berkshares currency, based in Berkshire in Massachusetts in the U.S. was founded in 2006 by the EF Schumacher Society, a think-tank promoting ecological economics.

The economic arguments for the Transition currencies are often justified by reference to the idea of the 'local multiplier'. This idea is based upon Richard Kahn's (and later Keynes') notion of the spending multiplier effect at the national level of the economy, whereby an increase in government spending, if translated in to higher levels of consumption by individuals, can have a proportionately greater

effect on total output or aggregate demand (Keynes 1936; Hahn 1931). As the transition currencies cannot be 'banked', there is greater incentive to circulate them locally, enhancing local demand and creating a multiplier effect within a defined 'local' area.

Within the UK the concept of the 'local multiplier' has been developed by *nef* (the new economics foundation), the London-based 'think-and-do-tank' which has, through its research and publications, developed the argument that local economies are prone to 'leakage' through taxes, external contractors and the non-local supply chains and shareholders of national and international chain stores. (Ward and Lewis 2002). In contrast, small independent shops are more likely to employ local firms for these kind of services and spend any profits locally (Sacks 2002). *nef* conducted a study in 2002 which suggested only around 10-12 pence of every pound spent in supermarket chains remained within the local economy, whilst a more recent study of the West Michigan Economy in the U.S. concluded that if residents of the area were to redirect 10 percent of their total spending from chains to locally owned businesses, the result would be \$140 million in new economic activity for the region, including 1,600 new jobs and \$53 million in additional payroll (Sacks, 2002; Civic Economics, 2007).

Following this line of argument, the Transition currencies can be seen as promoting the 'medium of exchange' function of money at the expense of the 'store of value' function. The tension between the successful fulfilment of these two functions of money within a single unit of account (the third function) is widely seen amongst monetary theorists as one of the main causes of instability in the modern fiat-based monetary system (Dodd 1994; Douthwaite 1999).

Key Challenges ⁵

The Transition currencies major success so far has been as awareness-raising tools. They have generated astonishing media coverage and captured the public imagination locally, nationally and internationally. No doubt the colourful and highly original note-design has played a major part in this. The Director of Brixton Town Centre, for example, said of the Brixton Pound that it had 'done more for Brixton's reputation than anything since the

Table 1: Background information on the Transition currencies (Jan 2010)

| | Launch | £ In Circulation ⁴ | No. Businesses | Population |
|----------------|--|-------------------------------------|----------------|------------|
| Totnes | March 2007 | c.5000 | c.70 (2008) | 8,000 |
| Lewes | September 2008 (first issue), July 2009, (2 nd issue) | c.15,000 (2 nd issuance) | c.130 | 16,000 |
| Stroud | September 2009 | 4,329 | 37 | 20,000 |
| Brixton | September 2009 | 30,000 | 140 | 65,000 |

lighting of Electric Avenue in 1900'. The London Borough of Lambeth, where Brixton is based, have estimated the value of the scheme in terms of positive media coverage to be around £100,000.

There is little doubt of the impact the schemes have had in terms of creating a sense of community pride and discussion in the four areas. However, a number of challenges have emerged for the schemes and the existing, UK sterling-backed, model.

a) Incentives for consumers and businesses

Perhaps the greatest challenge for the Transition currencies is that the existing model is dependent, broadly speaking, upon non-economic incentives. As the currency exchanges at 1 to 1 with UK sterling and none of the schemes have been successful in implementing compulsory discounts, consumers main motivation for using the currency is a belief in the ethical principles of the initiative. This may restrict the use of the currency to the small proportion of the population who share the schemes' values. Even with this population group, there is the danger of the novelty value wearing off and the inconvenience of carrying two paper currencies (and of using a paper currency rather than electronic payment for larger purchases) outweighing this ethical motivation. Accessing the currency also involves two transactions in most cases – withdrawing UK sterling from a machine and then purchasing the local currency from an issuing point. Lack of knowledge about the location of issuing points is often quoted as a reason why users do not use the Transition currencies more often.

For businesses, the main economic incentive for accepting the currency is the free marketing which it is hoped will lead to an increase in footfall. However,

if the main users of the currency are customers who already hold the values advocated by the scheme, businesses may feel the increased footfall effect is negligible. ⁶

The cost to businesses of dealing with two currencies is also arguably greater than for consumers. Businesses cannot, at present, bank the local currencies, hence they must spend the currency on supplies, offer it as payment to staff, give it as change or use it personally if they are to keep it in circulation. Whilst this could be seen as advantage in terms of the goals of the scheme to encourage local circulation of money, some of the transition schemes have had experience of businesses leaving the scheme because they are unable to spend the currency and/or see changing it back to UK sterling as a) a cost and b) evidence that the scheme is not working adequately.

b) Social justice challenges

Related to the above, there are questions as to how the Transition currencies support people or businesses facing financial exclusion or economic hardship, an issue that has come to the surface significantly in the past two years with the recession. The hard currency model does not create any kind of additional liquidity since every note must be exchanged for UK sterling and so far the schemes have been unable to develop a loan mechanism. Nor does it enable any additional or alternative forms of exchange or exploit underutilized capacities within communities. This contrasts, for example, with currencies which have non-monetary backing, such as time-backed currency systems, which are able to involve people in exchanges who are currently excluded by the market.

The transition model does create a UK sterling backing or 'asset' equivalent in size to the amount sold and exploiting this in some way appears as one potential way of creating additional liquidity, e.g. through a low or zero interest loan scheme. However, any kind of loan scheme would require significant administrative and financial infrastructure and so far the Transition schemes have been unable to find willing partners, although both high street banks and credit unions have been involved in discussions about potential collaboration. This contrasts with the United States, where the Berkshares model has the support of 5 regional banks and 12 branches and the Chiemgauer in Germany which also has regional banking support.

'volunteer fatigue' remains a major challenge for the Transition currencies given the dependence on unpaid labour for much of the promotional and business engagement work

c) Financial sustainability

The Transition currencies, as with the other transition initiatives, were set up as not-for-profit schemes and have been dependent mainly on unpaid labour and one off donations. They have been successful in attracting small financial or in-kind investments from local councils and businesses to pay for events, set-up costs, marketing and printing of the notes. Both Lewes and Brixton were successful in raising sponsorship funds from local businesses in return for featuring their business logos prominently on their marketing materials. Brixton and Lewes have also recently been successful in attracting part-time funding for a project manager from, respectively, the Labour government's Future Jobs Fund (now dropped by the Coalition government) and from a Charitable Trust. One way in which money has been and will continue to be generated for the schemes is through 'leakage' - unredeemed notes upon the completion of the validity period.

Nevertheless, 'volunteer fatigue' remains a major challenge for the Transition currencies

given the dependence on unpaid labour for much of the promotional and business engagement work. Stroud is the only initiative to have built in to its model a facility for generating funding – through membership and redemption fees – but at present this does not generate enough funding to pay for labour time.

d) Measurement and Evaluation

One major drawback in using paper notes is it that not possible to track how the currency is being used and how many notes are actually in circulation. The schemes have thus been reliant on simple balance of accounts figures on issuance and redemption and ad hoc and anecdotal feedback from businesses and consumers about actual usage. There is a suspicion that a considerable proportion of the notes sold are for novelty/souvenir purposes rather than purposes of normal exchange. Evidence for this comes from both a slow down in issuance after an initial 'honeymoon' period and the non-redemption percentage for Lewes following the 1-year pilot (admittedly featuring just £1 issuance) which was over 50%. In terms of attracting further public or charitable sector funding, evidence of impact will be important for the schemes.

e) Under-developed banking infrastructure and support

The Transition currencies in the UK have struggled to find support from either the mainstream commercial banking or community finance sectors. This places significant additional burden on the volunteers involved to carry out administration, reconciliation and accounting functions. It also limits the potential of developing local currency bank account facilities or loan initiatives, both of which might be welcomed by the small businesses signed up the schemes, many of whom struggle to access credit from commercial banks.

It may be that the UK's banking system, which has seen the gradual disappearance of local and regional banks and a reduction in branches following the financial deregulation of the 1980s and 1990s (Leyshon and Signoretta

2008) is poorly suited to supporting local currencies. The situation in the UK is in strong contrast the United States and many parts of Europe, where there remains a more vibrant local and regional banking infrastructure. The Berkshares local currency in the U.S. for example benefits from the involvement of thirteen branches of five local banks which carry out the bulk of administration and enable the 5% discount to be more easily executed. The Chiemgauer and other Regiogeld currencies also have had more success in attracting administrative support from banks.

f) Challenges of scale and demand

The economic impact of the Transition currencies, in terms of actual turnover in the businesses that use them and in terms of their local areas' overall economies, remains very small (see table 1). If the currencies are to achieve their aim of genuinely enhancing the economic resilience of their communities, they will need to find ways of increasing the volume of circulation. Options here could include moving beyond the local to the regional scale, to bring in more potential suppliers to become involved and persuading a large organisation such as a Local Authority or Primary Care Trust to accept the currency as payment. This would give businesses a simple way of moving the currency on. Bristol Transition are currently exploring the options for a regional currency scheme that would incorporate the city but also the rural areas around it, broadly defined in terms of the 'bio-region' (Transition Bristol 2010).

Looking to the future

Despite these challenges, there remains considerable optimism about the future of the Transition currencies and a number of areas apart from the four existing schemes are developing their own models. Key areas for further research and exploration to improve the effectiveness of the Transition currencies are as follows:

1. The creation of electronic payment and trading systems so that the currency is not limited to cash transactions. This would have a number of advantages including:
 - Much better information on how the currency is circulating amongst businesses and users and thus what interventions would be most useful in enhancing the scheme
 - Opportunities to include the financially excluded or those who cannot get access to a bank account, for example through using mobile phones to store credits ⁷

2. An income to the currency management body built into the system to sustain and develop it. Again the introduction of electronic payments could make this considerably easier – merchants and customers are quite used to paying a 3% transaction fee for using credit cards for example.
3. The involvement of a financial infrastructure body of some kind to allow users and businesses to hold transition currency bank accounts and conduct much of the administration and reconciliation work involved in managing a currency scheme.
4. The involvement of savings and investment institutions providing local finance, possibly in part-payment through the currency, to sustainable businesses and financially excluded individuals. A particular question would be how the UK sterling backing reserves of the local currencies could be utilised to provide community finance for local businesses or financially excluded residents of the area.
5. The introduction of some form of Business-to-business mutual credit trading system or commercial barter system to incentivise businesses who are involved in the scheme to trade with each other and to give them additional, non-interest bearing credit lines. This should also incentivise more local sourcing of goods and services and increase regional economic resilience – studies suggest the Swiss WIR mutual credit scheme has counter-cyclical properties, for example (Stodder 2005).
6. The possibility of integrating social currencies – such as time banking or LETS – in to the hard currency models, tapping in to people's underutilized skills and abilities

nef (the new economics foundation) and the Transition Network have recently embarked on a project to conduct scoping research on how to enhance the transition currencies – Transition Currencies 2.0 - which will be examining a number of the above areas.

Acknowledgements

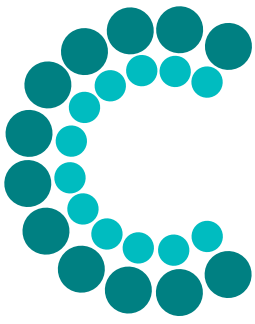
This paper originated from a local currency seminar organised by nef (the new economics foundation) and The Transition Network, supported by the Tudor Trust. With thanks to members of the Stroud Pound, Brixton Pound, Lewes Pound and Totnes Pound for their assistance in gathering information for this article and to Noel Longhurst and Molly Scott-Cato for comments on the paper.

Endnotes

- ¹ Further information about the emergence of the Transition Currencies can be found in Pete North's recent book, 'Local Money', published by the Transition network in June 2010.
- ² For more information on the history and aims of Transition, see: <http://transitiontowns.org> and Rob Hopkins book, *The Transition Handbook: from oil dependency to local resilience*, (Green Books 2008).
- ³ According to the Federation of Small Businesses, 2000 local shops are closing each year – see *Trade Local Manifesto*, <http://www.fsb.org.uk/default.aspx?id=0&loc=keeptradelocal>. Despite this, small businesses account for the majority of private sector jobs in the UK: 59.2% in 2007, around 13.5 million jobs overall
- ⁴ N.b. this figure is the amount of currency actually in circulation rather than the total amount of notes issued.
- ⁵ It should be noted that accurate data on the impact of Transition Currencies is limited as there has been very few robust empirical studies of the schemes.
- ⁶ A recent study of the Lewes Pound found that 70% of traders felt the scheme had made little difference to footfall. See Graugard, J, (2009) 'A mixed-method case study of the Lewes Pound and its capacity to build resilience in the community of Lewes', unpublished MA thesis, University of East Anglia.
- ⁷ The M-pesa scheme in Kenya allows financial payments using mobile phones and has helped revolutionize the farming trade. See <http://www.safaricom.co.ke/index.php?id=745>

References

- Civic Economics (2007) 'The San Francisco Retail Diversity Study', <http://www.civiceconomics.com/SF> [accessed 16th April 2009]
- Dodd, N. B., 1994, *The Sociology of Money*, Cambridge: Polity;
- Douthwaite (1999) *The Ecology of Money*, Totnes: Green Books
- Douthwaite, R., (1996) *Short Circuit: Strengthening Local economies for security in an unstable world*, Totnes: Green Books;
- Douthwaite, R., (1999) *The Ecology of Money*, Totnes: Green Books
- Gelleri, C., 'Chiemgauer Regiomoney: Theory and Practice of a Local Currency', *International Journal of Community Currency Research*, Vol 13 (2009) pp. 61- 75
- Gesell, Silvio. *The Natural Economic Order*, Revised edition. London: Peter Owen, 1958.
- Kahn, R. F., 'The relation of home investment to unemployment', *The Economic Journal*, June 1931, Vol. 41, No. 162 (Jun., 1931), pp. 173-198
- Keynes, J.M, [1936] (2008) *The General Theory of Employment, Interest and Money*, BN Publishing
- Leyshon, A. and Signoretta, P. (2008) 'All gone now: the material, discursive and political erasure of bank and building society branches in Britain'. *Antipode*, 40: 79–101.
- Lietaer, B., (2001) *The Future of Money: Creating New Wealth, Work and a Wiser World*, London: Century
- Sacks, J, (2002) *The Money Trail*, Appendix 5, London: nef (the new economics foundation), pp114-117, accessible at <http://www.neweconomics.org/gen/uploads/The%20Money%20Trail.pdf>
- Stodder, J, (2005) *Reciprocal Exchange Networks: Implications for macroeconomic stability*
- Transition Bristol, (2010) 'A Bristol Pound for the City and the Southwest', available at www.agoraspace.org/document/pdf/document1002_5_1051.pdf [accessed 22nd June 2010]
- Walker, B, Hollinger, C.S, Carpenter, S.R. & Kinzig, A. (2004) "Resilience, Adaptability and Transformability in Social ecological systems". *Ecology and Society* 9 (2) p5.
- Ward, B, and Lewis, J., (2002) *Plugging the Leaks: making the most of every pound that enters your local economy*, nef (new economics foundation)



IJCCR

A Report from Vermont (USA): The VBSR Marketplace creates mutual credit at statewide level

Amy M. Kirschner

Vermont Sustainable Exchange
amy@changethemarket.com

Abstract

This paper described and evaluates a peer to peer mutual credit system now in operation in the State of Vermont. It is called the VBSR Marketplace and is an innovative partnership between a statewide membership association, Vermont Businesses for Social Responsibility (VBSR) and a currency design and management organization, Vermont Sustainable Exchange (VSE). This project is a significant step forward in the community currency world as it makes participation in a mutual credit system a membership benefit for businesses that belong to an already existing and well-established business association.

Introduction

A peer to peer mutual credit system is now in operation in the State of Vermont. It is called the VBSR Marketplace and is an innovative partnership between a statewide membership association, Vermont Businesses for Social Responsibility (VBSR) and a currency design and management organization, Vermont Sustainable Exchange (VSE). This project is a significant step forward in the community currency world as it makes participation in a mutual credit system a membership benefit for businesses that belong to an already existing and well-established business association.

organization took huge amounts of volunteer labor to coordinate. A Time Bank project also took root in Burlington within the last decade, but while well-intentioned, was short-lived due to inconsistency in volunteer management and funding.

During the last years of Burlington Currency Project (2004-2006), the Board of Directors and Staff of BCP attempted to switch BCP from a paper scrip to a mutual credit based system, inspired by the WIR, LETS, and the writings of Thomas Greco. Due to the amount of paper currency that was untraceable and lack of financial resources, the organization folded before getting beyond the research stage of this idea.

Vermont Sustainable Exchange was founded by Amy Kirschner in 2007 with the goal of creating a polyculture of community currencies in Vermont using a WIR style peer-to-peer mutual credit system as a base.

Amy is a long time community currency activist, author and practitioner. She was previously the Executive Director of the Burlington Currency Project. She frequently gives presentations around on the subject of

Vermont Sustainable Exchange

Burlington, the largest town in Vermont, has a long history with complementary currencies going back into the 1970s. More recently, from 1997-2006, the Burlington Currency Project (BCP) circulated a paper, fiat-issued scrip which had limited success. At it's peak, there were about 150 people listed as members but success, as defined by a consistent flow of currency, was never achieved and the

**International
Journal of
Community
Currency
Research**

www.ijccr.net

community currency in Vermont and around the US and has been interviewed by local and national media. She recently completed a Masters Degree at the University of Vermont with a thesis project exploring success factors for community currencies.

Post-BCP, VSE did a significant amount of research into mutual credit systems. Many platforms were explored, both proprietary and open source, before deciding on the Global Exchange Trading System (GETS) platform developed by The Business Exchange (TBEx) in Aberdeen, Scotland. The GETS trading system combines sustainability methodology and practices with the most technologically advanced credit clearing functionality available today.

“...the idea of starting a community currency should not be mistaken as simply a novel approach or quick fix for a lackluster economy. Persistence in selling the benefits and educating after the business has activated their account is required and a dedicated staff is necessary.”

Vermont Business for Social Responsibility

VBSR is a non-profit, statewide business organization. They help their nearly 1,300 members set a high standard for protecting the natural, human, and economic environments of Vermont citizens while remaining profitable. VBSR is the oldest and largest regional association of values-led businesses in the country. Businesses representing all sectors of the Vermont economy belong to VBSR. Collectively, they employ more than 35,000 people and account for \$4.0 billion in annual sales.

VBSR is also the parent organization to Local First Vermont, which certifies locally-owned, independent businesses in Vermont and also heads up a Local First Coupon Book, of which some ads are available to be purchased in VBSR Trade Credits. VBSR is involved in public policy which supports the mission of socially responsible business practices. The Marketplace will be used as a tool to recruit membership to VBSR and the potential exists for VBSR membership to exceed that of the

more mainstream business associations, making it the largest business association in the state within the next few years.

The VBSR Marketplace

The VBSR Marketplace was designed to be a standard membership benefit available to all 1,200+ members of VBSR. The Marketplace, powered by GETS, is an online listing and mutual credit accounting service accessible through the VBSR website and trades are conducted with “VBSR Trade Credits”. Each credit is equal to \$1US as required by the IRS for tax-reporting purposes.

The Marketplace was initially set up with selected VBSR members to be Founding Members. These businesses are leaders in VBSR, interested in innovative economic development ideas, and also provide core goods and services to the Marketplace. They received a beginning credit line (in VBSR Trade Credits) worth \$2,000. These credit lines, and the credit worthiness of these Founding Members, are the backbone of the Marketplace and one of the key innovations of this project.

Each VBSR member has a Basic Account to trade the credits they earn by selling goods and services to those initial Founding Members. Basic Accounts do not come with a credit line but VBSR members will have the option to choose a “premium” account with a credit line for a small monthly cash/trade fee. No interest is charged on credit lines within the Marketplace.

By charging a small transaction fee, VSE earns a continuous and reliable income stream used to cover the expenses and staffing of the organization. Transactions fees for all accounts (Basic, Premium, and Founder) are 5% on each trade, which is broken down into 1% trade and 4% cash (which is invoiced at month end). This revenue model makes the Marketplace a sustainable endeavor. The 1% fee is in trade credits and directly payable to a Member Benefit Reserve Account which will serve to balance the system in the event of an unrecoverable default on a credit line. The 4% fee will be charged in cash to pay for the overhead and management of the Marketplace. It is possible that as the network grows and more goods and services are available in trade, the trade/cash fee breakdown could be more heavily weighted towards trade credits.

VSE takes operational and administrative responsibility for the Marketplace, including credit clearing software implementation, maintenance, tax reporting and brokerage functions for VBSR members.

Innovations

The VBSR Marketplace is leading the way with a number of innovations in the community currency world. These can be summarized as: Community Perception, Credit Granting, Sales Process, and Building a Restoration Economy.

Community Perception

By partnering with a business association, the Marketplace has overcome the perception that community currencies are counter-culture. VSE uses the term “trade” which is neutral and already meaningful to business owners. Many of them already do this on a one-to-one level (barter) so making the leap to the concept and application of peer-to-peer mutual credit is lessened.

Breaking through to mainstream acceptance and having a cohesive statewide currency is also possible. Mainstream Vermont culture is more liberal politically than mainstream American culture. Due to the size (about 600,000 citizens) and geography of Vermont, the Marketplace is unique in its reach. Vermont is situated in a rural part of New England with the French-speaking province of Quebec Canada immediately to the north, and a large lake, Champlain, separating it from New York on the west. Its relative geographic isolation has created a culture that encourages and lauds self-reliance and sees community as a necessary source of survival. American culture has been late to arrive to Vermont, even being the last state to get a Wal-Mart. Gaining traction in a population that is already sympathetic to sustainable and progressive economic ideas and the potential for word-of-mouth publicity in a connected population is of great assistance in developing the Marketplace.

Credit Granting

The credit line granting process is key to the success of any community currency. The GETS system and philosophy support an integrated credit matrix that is applied democratically and transparently so the community is ever aware of how, how much, and to whom credit is extended. The credit matrix was designed by Richard Logie, owner of TBEx and founder of GETS. The credit matrix is based on a formula that includes such criteria as trading history, reputation and the goods and/or services that the business is placing into the system.

Sales Process

Viewing an account in a mutual credit system as a member benefit in an already existing organization eliminates a significant hurdle faced by many start up currency organizations: the process of selling memberships to reach critical trading mass. It also overcomes a significant psychological hurdle: a community currency is now something you (and your community) already have, not something alternative that needs to be joined. Feedback from VBSR members led VSE to change the terms it uses from something they should 'join' to something they should simply 'activate'. IRS regulations require the Marketplace to collect an additional form, the W9, that is not required for general VBSR membership. So the term 'activation' is used to describe the necessary step of collecting this form.

Building a Restoration Economy

The Marketplace can be used to support relocalization initiatives in many of the small towns around Vermont. The GETS platform allows for the issuing of customized scrip which can be circulated among citizens for small transactions while the businesses trade electronic credits. VSE is currently working with small place-based non-profits, who are also VBSR members, in various towns around Vermont to develop this process.

Individuals can join VBSR, meaning that people can build or use skills to supplement their incomes during times of under employment. Individual membership is relatively inexpensive (\$30-\$100) and comes with the same full access to the Marketplace that all business memberships receive. An individual can list their skills or respond to advertisements in the Marketplace. VBSR members have high demand for reliable tradespeople (electricians, plumbers, carpenters) to help with projects that have been put off due to cash shortages caused by the current recession. Individuals can also use the Marketplace to build their portfolios and gain customer referrals.

VSE is also exploring the idea of cooperating in the development of a local business incubator where VBSR trade credits would be a part of the start-up funding packages. Vermont has a strong agricultural heritage and tradition of entrepreneurship. Many small and micro food enterprises are looking for credit to fund start up expenses. The Marketplace provides an immediate audience to test and refine their products while earning revenue and provides no-interest credit lines (in VBSR Trade Credits, if they meet the requirements of the credit granting process as described above) which significantly reduces the cost of borrowing.

The national non-profit Green America, an organization with a focus on building a green economy through individual, collective, and business action, has recently launched the Green America Exchange (GAEX) among their membership this year, also using the GETS trading platform and philosophy. As such, both exchanges can be governed and connected in a manner so that reciprocal trading of goods and services is available to the benefit of both sets of members. VSE is working in co-operation with Green America on this endeavor.

Challenges

While the relationship with VBSR makes start-up significantly easier and the GETS platform handles the administration smoothly and provides credit clearing and online buying and selling functionality – the amount of work that was required was significant. In short, the idea of starting a community currency should not be mistaken as simply a novel approach or quick fix for a lackluster economy. Persistence in selling the benefits and educating after the business has activated their account is required and a dedicated staff is necessary. For these reasons, the ramp-up time and start-up costs are more than most communities anticipate.

These factors contributed to the shaping of this project as a social enterprise rather than a non-profit, volunteer driven organization. VSE is a limited liability company that contracts services to VBSR. Vermont is unique in that it has a number of corporate structure options

including a for-benefit corporation (recently passed by the Vermont Legislature) and an L3C (a low profit limited liability company also recently passed). Future changes to the corporate form of VSE to ensure that it stays rooted in community and true to its social mission will be explored.

Progress to date

To date, over 60 VBSR members have activated their account and started trading, representing a mix of Founder and Basic Accounts. Premium Accounts will not be started until all 50 places in the Founder Level are filled, which is anticipated by the end of this year.

There is a healthy mix of products offers and requests. Offers include a mix of products and services such as radio advertising (statewide through VPR and hyper local low-fi from a music education nonprofit), green design/build classes, computer/office equipment, wellness programs, catering, meeting and event space, hotel/hostel rooms, conference attendance, promotional items and apparel, gift baskets, printing and signage, recycling pickup, website development, and restaurants.

One early success has been with Vermont Public Radio (VPR). They are a Founder Member with a credit limit of 2000 VBSR Trade Credits. They started by purchasing from VBSR members.

VPR Facilities Manager, Laurie Kigonya notes, "...we have a very tight budget. Each year we

Figure 1:
Vermont Public
Radio employees at
their 2010 listener
picnic wearing t-
shirts purchased
through the VBSR
Marketplace



have an employee recognition event and a listener picnic that staff attend. For the picnic, we like to have promotional logo wear to identify the staff and personalities among the 1000-plus listeners.

In the past we've bought shirts from Lands End, but in this economy that was a stretch. It is hard to justify spending donors' money for employee shirts. The Marketplace seemed the most responsible option to explore. I imagined there were others in Vermont in the same situation, with needs to fill but limited cash. So we bought 62 logo shirts for employees. Lands End would have cost us \$3500. Here, with a 50-50 cash/trade with Vermont Clothing Company, we paid \$700 cash (and about 700 in VBSR Trade Credits). Also, VPR is very community-driven so it's a plus that we could buy from a Vermont company. Now we have a relationship with the firm.² Vermont Public Radio is now putting their first offer of underwriting into the system.

VBSR has also benefited. They received a Founder Credit Line and are exempt from transaction fees. This allows them to spend credits with members, expanding their purchasing power and circulating credits with the membership. Their first purchase was sending a Thank You gift to their sponsors of locally made cookies from Vermont Cookie Love.

"Sending a gift to supporters had long been on VBSR's wish list, says Owen Milne, VBSR Development Director. "We're a nonprofit. We don't have a lot of cash reserves," he says. "This allowed us to take the idea right from 'this is a great idea' to a reality. Otherwise it would still be sitting on the back burner. Because of the Marketplace, we could do it."

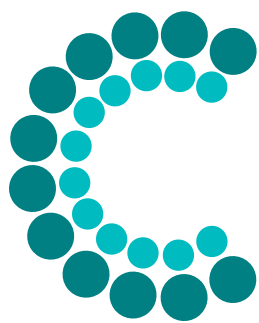
VBSR earns credits through conference fees and newsletter advertising. They have chosen not to accept credits for membership fees as this part of the cash budget contributes to staff salaries and benefits which currently cannot be shifted to trade.

Looking Forward

GETS is currently organizing collaborative efforts among GETS users such as the VBSR Marketplace and is well underway with initial

development of the GETS Together cooperative that will place the technology, training and marketing assets into the hands of cooperative members.

We look forward to sharing our progress and lessons learned to other interested communities who are interested in developing a similar concept. Communities of place and interest could be well-served by applying this exchange model to already existing membership-based associations.



IJCCR

Time Banking in Social Housing: A Toolkit for Co-production in Public Services

Ruth Naughton-Doe

University of Bristol, School for Policy Studies, 8 Priory Road, Bristol, BS8 1TZ

ruth.naughton-doe@bristol.ac.uk

Abstract

A social enterprise Spice has pioneered a new method of time banking that works with public services in an innovative way. Spice uses time banking as a 'means to an end tool' to promote active citizenship, reduce welfare dependency and ultimately reform public services with co-production. This article briefly examines current time banking practices in the UK to set the scene for a discussion of Spice's approach when applied in Social Housing. Whilst in its early stages, the approach demonstrates some success in increasing participation and improving both individual and community well-being. This is an exciting new use of community currencies to catalyse public sector reform.

Introduction

Time banking is a community currency with an explicit social objective to grow social capital and combat social exclusion. The most established form of time banking is the 'person to person' model based on individual exchanges in a community. A new form of time banking has recently emerged in Spice, a social enterprise that implements time banking in public services in an innovative way. Spice operates time banking as a 'means to an end tool' to promote active citizenship, reduce welfare dependency and ultimately transform public services into co-production. In a society where the impact of recession is increasingly questioning the future of our public services, Spice suggest time banking can help re-focus public service delivery and work in an efficient way that empowers both individuals and communities to generate well-being. This article will briefly review forms of time banking in the UK to set the scene for a discussion of Spice's approach to time banking in public services using a case study of their work in a housing association.

Person to person time banking: 'The Traditional Model'.

The traditional model of time bank is based on hour for hour skills exchange, mediated by a broker, between individuals in a community. In this way, time banks are a form of community self-help embodying the values of mutualism and reciprocity. Research suggests that by aiding people financially and growing social networks, time banking can help to tackle social exclusion across economic, social, political and cultural domains (Seyfang, 2002; 2003a; 2003b; 2004a; 2004b).

However, a number of challenges have been identified with person to person time banking models. As with many third sector organisations, the main challenge facing time banks is the lack of sustainable funding. Limited funding often prevents time banks from opening or developing and time broker energy is wasted through chasing resources. Other problems include members not spending time hours either through a lack of options for spending, or difficulty in embracing the concept of reciprocity, both of which limit the potential benefits of time banks. There are also barriers due to risk complexities associated with

International
Journal of
Community
Currency
Research

www.ijccr.net

vulnerable people and required CRB checks, especially in local authority funded time banks with related government paperwork.

Person to agency time banking: 'The Welsh Model'

Time Banking Wales advocated a different approach to time banking with an explicit aim of community development by building partnerships with local community organisations and services. Instead of establishing a new organisation of 'time bank', the Welsh model encourages existing organisations to adopt the values of time banking. Rather than individual exchanges, citizens earn credits by directly engaging with local agencies, community groups and public services. In this model, time bank members receive a physical time credit note which is then used to access services or trips funded using existing resources and spare capacity. For example, a youth club which once provided trips for free is encouraged to charge members time credits to go on trips. Time credits are earned by helping in the community in activities such as litter picking, and the values of responsibility and reciprocity are perpetuated.

The approach begins with one committed organisation, and eventually different groups are encouraged to work together to grow a time network or alliance which spans the community. The benefits of the approach are increased responsibility, reduced dependency, increased employability, access to skills, improved health and well-being, and community development. Whilst the approach has been successful in some areas such as the Welsh valley town Blaengarw (Gregory, 2009), critics of the approach argue it only works in small geographically defined communities like those found in South Wales, and evidence is yet to be seen of its success outside these areas.

Spice Innovations

Spice is a dynamic social enterprise that applies the Welsh model of time banking directly to public services such as schools, prisons and housing associations. Community currencies have long been regarded as providing more than an alternative economic system, but Spice embrace time banking in a novel way to directly influence and reform public services.

Whilst the individual exchanges remain valuable, Spice see time banking as 'means to an end tool' to meet other outcomes such as increased participation, reduced dependency, active citizenship and ultimately co-production.

To briefly discuss co-production, it moves beyond participation to emphasise the necessary involvement of citizens in the production of services, from commissioning, planning, delivery and evaluation (Boivard, 2007; Needham, 2007; 2009). Co-production aims to 'work with and not do unto' people (Cummins and Miller, 2007) so that services are delivered in a way that builds empowerment, well-being and self-esteem. It redefines service users as valuable assets co-producing their own outcomes. The benefits of co-production are reduced welfare dependency, empowerment and services that are more personalised, efficient, responsive and accountable. Furthermore, by delivering services in a way that increases well-being, long term welfare costs will be reduced as service users become more resilient and healthy.

The traditional model of time banking in the USA centralised co-production and promoted community self help in America to boost capacity in underfunded public services (Cahn, 2000). In the UK, this aspect of time banking has previously been sidelined perhaps due to our comprehensive welfare state. However, Spice's model makes co-production explicit in time banking and moves the transaction away from the individual and towards public services. In times of recession and with growing awareness that our current model of service delivery is flawed, Spice's model is experiencing popularity. Both The Conservative's 'Big Society' and Labour's championing of co-operatives are compatible with Spice's vision for public service reform and Eric Pickles the Minister for Communities mentions Spice in his community strategy.

Benefits of the Welsh Model and Spice

Evidence from case studies suggests that person to agency time banking does encourage citizens to become more active in their community and increases people's well-being. Furthermore, whilst time banking does not necessarily lead to co-production, it helps to sow the seeds of development (Gregory, 2009),

and communicates the concept to practitioners in a digestible way. Practically, this model overcomes the difficulties of sustainable funding as the time bank becomes mainstreamed and 'rewards' are given using spare capacity. Additionally, all members have opportunities to spend their credits and risk complexities are removed as the transaction is not based on an individual exchange between vulnerable people.

However, the evidence supporting Spice is not academically robust and most of the evidence is either produced by Spice themselves or by the think tank the New Economics Foundation who both have vested interests in the success of time banking. Spice's approach is pioneering, is still being developed and is under researched. Whilst promising, the evidence needs to be robustly substantiated.

Spice and Housing

To fully explain Spice's approach this article will discuss the practical application of the methodology when applied to social housing. United Welsh Housing Association in Cardiff recently contracted Spice to implement time banking as a method of increasing tenant participation. Person to person time banking has previously been established in housing associations, but with limited success due to the time consuming nature of monitoring the individual transactions and the recognised necessity to employ a full time coordinator. Spice's new approach hopes to revitalise time banking in housing, and whilst continuing to provide the benefits of time banking to residents, also hopes to fulfil the social responsibilities and participation objectives of United Welsh.

United Welsh had a problem to solve, as a social housing provider they recognised tenant participation as good practise. Tenant participation is thought to improve services by making them more responsive and personalised, to promote empowerment and to reduce turnover. However, participation initiatives historically struggle to engage the many, frequently failing to engage socially excluded groups and instead engaging the same small group of active tenants which leads to reduced positive impacts of participation (Simmons and Birchall, 2007). Furthermore, United Welsh recognised that methods of participation were not diverse enough to appeal to all tenants, and they wanted to reward tenants who were already participating.

Time banks were seen as a possible solution to these outlined problems. In order to boost the positive impacts of participation, time credits offer incentives to participate. Additionally, a diverse menu of ways to earn time credits attracts more people than the traditional

volunteer, and time credits are a way of rewarding tenants. Participation in time bank schemes has all the aforementioned benefits to social exclusion and well-being, as well as meeting the housing association's remit of providing socially responsible services.

After identifying the ways in which time credits could be useful, Spice worked with United Welsh to develop a time credit system where tenants earn credits for attending residents meetings, providing feedback and helping to run events. Residents then spend credits on a menu of rewards and activities. Spice built mutually beneficial partnerships with local businesses such as a rock climbing centre, an arts centre, Cardiff Blues rugby ground and a hairdressers, all of whom were interested in both increased prospects for publicity and wider social responsibility objectives. Local Authorities accept Spice Credits to access swimming and the gym to help meet their objective of engaging socially excluded people with their services. As an added benefit, many of the time bank rewards are for healthy activities meaning people benefit from both earning and spending their time credits. Spice constantly develops their rewards based on users' preferences and in the long term hope to provide education and training courses. Eventually, Spice aims to work with all housing associations in Cardiff to establish a Housing Network, which encourages partnership working between housing agencies.

“Research into the housing association is still underway, but preliminary findings suggest a number of benefits such as increased participation, joint working and uptake of healthy activities among tenants.”

Successes

Research into the housing association is still underway, but preliminary findings suggest a number of benefits such as increased participation, joint working and uptake of healthy activities among tenants. It is too early to discuss co-production which is a long term goal, but increased participation is a sign that it will develop.

One success has been where Spice has introduced the system into a supported housing service for homeless people. Arguably the most excluded in society, homeless people are traditionally very difficult to engage in both volunteering and tenant participation. Despite being beneficial to health and well-being, traditional models of services have not successfully engaged this group in these activities. Spice working in a creative way has

initiated a flexible scheme for homeless people to volunteer and participate in this hostel.

Challenges

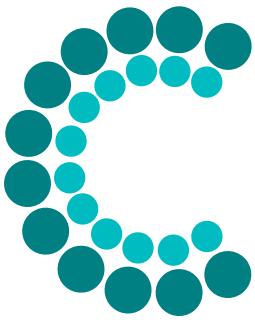
There are a number of challenges that lie ahead for Spice including costs of providing rewards and difficulties communicating their co-production culture. A more fundamental criticism is that Spice Credits are not really a time bank. Time banks aim to build personal relationships and promote community self-help with community currencies often being politically radical and existing outside the mainstream. However, Spice's method is reminiscent of behaviour modification techniques such as token economics used in public services to create socially desirable behaviour (Kazdin, 1982). For example, people on psychiatric wards were given rewards and privileges for 'good' behaviour. The new use of time banking could be seen to replicate this approach and rather than challenging the government system and allowing individual expression, it could be utilised to create self-disciplining subjects perpetuating government values such as reduced dependency and health promoting behaviour (see work by Foucault, 1977; 1979; 1991). The jury is out on how Spice operates.

Conclusion

This new approach using community currencies to transform public services is an exciting and innovative development in the field. The Welsh model of time banking solves many of the problems of the traditional model such as sustainable funding, CRB and lack of valuable exchanges. Furthermore, Spice's model offers real change in how our public services are delivered. However, it should not be seen as a replacement for the traditional person to person model of time banking, or LETs schemes. All forms have their different benefits: LETs-economic, time banking- social justice, and the Welsh model exists as part of a toolkit for both community development and to revitalise public services by challenging our conceptions of the traditional service user.

References

- Bovaird, T. (2007) 'Beyond engagement and participation: user and community co-production of public services'. *Public Administration Review*.
- Cahn, E. (2000) *No More Throw Away People*. Essential Books Ltd: Washington DC.
- Cummins, J. And Miller, C. (2007) 'Co-production, social capital and service effectiveness'. London: OPM.
- Foucault, M. (1991) 'Governmentality', pp. 87–104 in Burchell, G., Gordon, C. and Miller, P. (eds.) *The Foucault Effect: Studies in Governmentality*, Hemel Hempstead: Harvester Wheatsheaf.
- Foucault, M. (1977) *Discipline and Punish: the Birth of the Prison*. London: Allen Lane.
- Foucault, M. (1979) *The History of Sexuality*, vol. 1. An Introduction. London: Allen Lane
- Gregory, L. (2009) 'Change takes time: exploring structural and developmental issues of time banking.' *International Journal of Community Currency Research*. Vol 13, pp 19-32.
- Kazdin, A. (1982) 'The token economy: a decade later'. *Journal of applied behaviour analysis*, 15, pp 431-445.
- Needham, C. (2007) 'Realising the potential of co-production: Negotiating improvements in Public Services'. *Social Policy and Society*, 7, 2, 221-231.
- Needham, C. (2009) *Co-production: an emerging evidence base for adult social care transformation*. Social Care Institute for Excellence.
- Seyfang, G. (2002) 'Tackling Social Exclusion with community currencies: learning from LETS to Time Banks'. *International Journal of Community Currency Research*, 6.
- Seyfang, G. (2003a) 'With a little help from my friends.' *Evaluating time banks as a tool for community self-help*, *Local economy*, 18: 3, 257-264.
- Seyfang, G. (2003b) 'Growing cohesive communities one favour at a time: social exclusion, active citizenship and time banks'. *International Journal of Urban and Regional Research*, v 27, 3, 699-706.
- Seyfang, G. (2004a) 'Time banks: rewarding community self-help in the inner city?' *Community Development Journal*, 39, 1, 62-71.
- Seyfang, G. (2004b) 'Working Outside the Box: Community Currencies, Time Banks and Social Inclusion.' *Journal of Social Policy*, 33, 1, 49-71.
- Simmons, R. and Birchall, J. (2007) 'Tenant participation and Social Housing in the UK.' *Housing Studies*, 22, 4, pp 573-595.



IJCCR

The Colours of Money: Artmoney as Community Currency

Mark Banks

CRESC (ESRC Centre for Socio-Cultural Change) Department of Sociology, Open University, Walton Hall, Milton Keynes, MK7 6AA

m.o.banks@open.ac.uk

Abstract

Artmoney is a community currency based on the production and exchange of original art. Critical of the cold and objective nature of conventional transactions, the Danish artist Lars Kraemmer first devised artmoney as a means to a more humanised and expressive type of monetary exchange, intending to bring people together in affective, rather than impersonal, forms of trade. Artmoney provides a means of stimulating trade amongst artists and non-artists outside of the conventional money economy, and has grown steadily to become a global currency traded in over 70 countries. Drawing from ongoing research, this article asks, what is the meaning and value of art-money in a global cultural economy? What alternative does it present and what economic futures (or pasts) does it anticipate? Presenting preliminary findings from interview research with art-money producers, this article outlines some of the motives for becoming involved in this art/currency project, and some of the contradictions and challenges raised in its production and circulation.

Introduction

The 'Bank of International Artmoney' was formed by in 1997 by the artist Lars Kraemmer and is located in the Copenhagen suburb of Frederiksberg. The 'Bank' is both gallery and clearing house for the production and circulation of 'artmoney', an alternative currency that takes the material form of banknotes, but is unique in the sense that each note is a piece of original art. Artmoney is produced by around 1000 artists and is traded and exchanged with other artists, buyers and businesses around the globe.

Artmoney can be freely produced by anyone registered with the project through the artmoney website (<http://artmoney.org/>) and, like conventional currencies, has some standard rules of design. Artmoney must measure 12x18 cm (in order that it resembles a banknote) and only durable materials may be used. Each piece of art money must show a serial number, the year of production, the artmoney URL and the name, signature and nationality of the artist. The only other proviso is that artmoney must be an original work of art. Like conventional currency, artmoney has a market price. Each piece of artmoney is

purchased for 200 Danish Kroner (currently about £20, 26 Euro or \$34)². Figures 1 and 2 provide examples of artmoney.

Once produced, artmoney can be 'spent' – that is, used in full or part exchange for goods and services. Currently around 50 registered businesses (including cafés and bars, galleries, various retailers, even a psychotherapist) accept artmoney as part payment for goods and services. The project recommends that artmoney registered businesses commit to accepting artmoney as part payment for goods and service up to a % set by the business. Although art-money is ostensibly a global currency, most of these businesses are located in Copenhagen and other parts of Denmark. However artmoney artists are also encouraged to spend artmoney in any non-registered businesses where 'acceptance can be found'. There is also a host and guest programme where artmoney can be used to pay for travel accommodation in private houses and hotels. While, currently, the transactional possibilities of artmoney remain limited, Kraemmer claims to have bought his stereo, computer and fridge with artmoney and even used it to finance a

International
Journal of
Community
Currency
Research

www.ijccr.net

trip around America. Others claim similar successes.

A Critique of Conventional Money?

Kraemmer saw the production of artmoney as a practical means of stimulating trade amongst struggling artists who couldn't otherwise afford to pay their rent or buy art materials – artmoney was thus conceived as a way out of poverty for the artistic underclass. But also, critical of the 'cold' and 'objective' nature of conventional transactions, Kraemmer devised artmoney as a means to a more humanised and 'expressive' type of monetary exchange. Since he argued that money created an artificial and impersonal 'barrier' between people, not only was each artmoney to be designed as a unique work of art, it was intended to bring people together in affective, rather than impersonal, forms of trade.

We can see, therefore, that artmoney had a double function – utilitarian but also affective/communicative. By being encouraged or compelled to use artmoney in exchange, both artists and non-artists were brought into a distinctive and provocative economic and communicative space - one that was simultaneously both 'primitive' (relying on the exchange of distinctive rather than standardised objects) and 'modern' (offering a critique of financial convention and the social status quo). Such then was the initial theory and motivation.

Artmoney was also conceived as an implicit critique of urban gentrification and the commodification of artistic spaces – since one of the criticisms levelled by Kraemmer was that artists were not only made economically marginal by the state and the commercial art world, but that the possibility of artists occupying studios and rented spaces (at least in Copenhagen) was being diminished by the commercial renewal of urban centres – artmoney could thus provide poor artists with spending power, a focus of collective identification and a means of effecting a nascent form of social mobility. Artmoney was presented as part of the discourse and practice of non-capitalism, promoting itself as a positive and differentiated form of economizing that challenged the dominant variant. Arguably, in a post-recession context the critical function of artmoney has been brought into sharper focus – its emphasis on questioning the power that money has over our lives, the hegemony of financial institutions, and its critique of the monopoly powers of the state to regulate money, appears uncannily prescient. But how does such a utopia take shape in practice?

From ongoing research with artmoney artists, I have sought to understand the different uses and meanings of artmoney for its various producers. Who are these people and why are they involved in artmoney production? What rewards do they obtain from it? How are they using artmoney in practical and everyday terms? And, more broadly, what do the different uses and users of artmoney tell us

Figure 1:
Lars Kraemmer:
'Celestine' (Front
and back images)



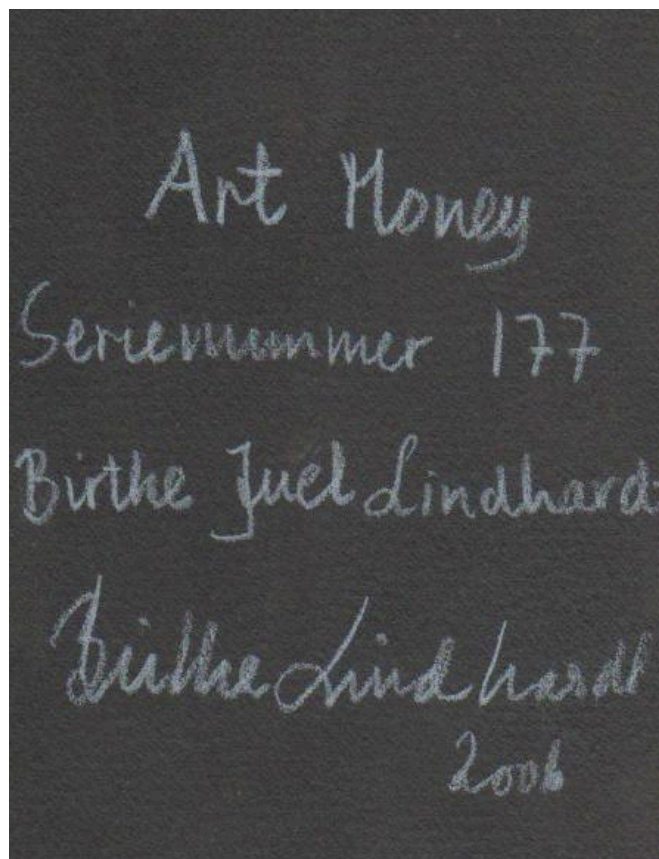
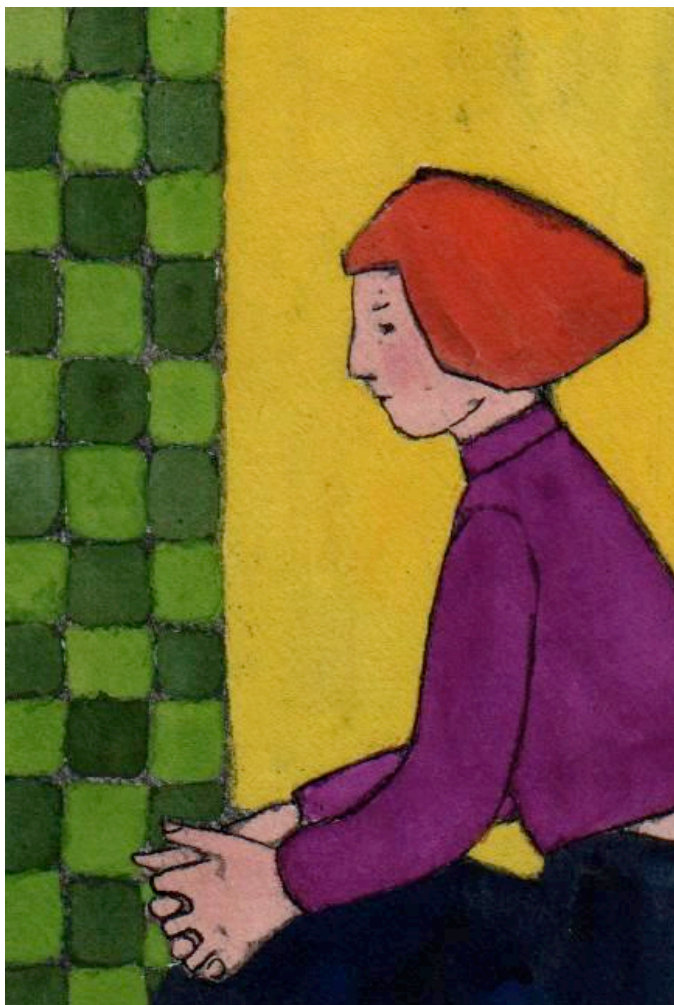


Figure 2:

Birthe Lindhardt: Art Money No 177 (front and back images)

about the nature of art, politics and economic life? These questions have been addressed using data generated from a project undertaken with artmoney producers which has, to date, involved around 50 questionnaires with artmoney artists, complemented by material from 10 in-depth interviews with a further sub-sample of these artists, the majority of whom were based in Copenhagen, and other parts of Denmark.

The Meanings of Artmoney?

I want to briefly outline some indicative findings from questionnaires undertaken with artmoney producers - I will limit myself to their accounts of why they were involved in artmoney and the particular rewards or benefits it provided for them.

For a significant number of respondents the principal appeal of artmoney was artistic – that is, conceptual and aesthetic; with the intrinsic cleverness, novelty and purity of the artistic ‘idea’ being the hook that drew them in. Contained in this was the idea that artmoney was seen to be fun and amusing – it represented a quirky and unusual idea that appealed to artists’ sense of playfulness and irreverence. The ludic qualities of art – the sense that art, through playful or apparently absurd practices, can

provide a stimulating commentary or social critique has, of course, a long tradition (think Duchamp, Dali or Debord). The artistic attraction of artmoney was also related to the technical demands, and material qualities, of artmoney itself. As one artist commented ‘I found it a challenge to make art in a small size’. The production of artmoney thus offered a means of artists testing themselves as artists – and so could be seen to enhance the practice of art in itself.

Others judged the appeal of artmoney is more ‘political’ terms. In this regard artmoney was seen less as an exercise in aesthetics and more as a means to mobilise formally recognised socio-political ideals or principles. However, the ways in which politics was cast and understood in the context of artmoney production exhibited significant variation across the sample of respondents. The most common political appeal of artmoney lay in its potential for enhancing what we might term democratic virtue. Artists saw in artmoney a potential to democratise the production of art (since anyone can be an artmoney maker), to enhance communication between artists, and to provide the possibility of contributing to something that was intrinsically good and worthwhile (artmoney has ‘good energy’ as one described it). However, for a small number of others, the political attraction of artmoney was its

perceived capacity for supporting more radical and revolutionary ideas. As an alternative to state finance, and a challenge to the conventional money economy, artmoney was judged to be a symbol of a future possible world where alternative forms of exchange resumed precedence. As one artist put it, the attraction of art money was that it suggested an 'anarchistic' possibility, a world where alternative systems of exchange could destabilise the pre-eminence of ordinary money. However, what was perhaps surprising was the general lack of any political views held by the sample – artmoney was not widely seen as attractive for overtly political reasons; indeed, it often appeared as if the artmoney producers were consciously non- or apolitical and unmoved by radical possibilities or formal political intent.

Furthermore, for a significant number, the appeal of artmoney lay not in its potential for challenging the authority of state money, or installing some alternative system of exchange, but for actually upholding those conventional systems by providing opportunities for developing personal income and access to consumers and markets; thus for a number of artists artmoney was judged to be a relatively simple way to produce art for sale, for a fixed price, or a means of promoting themselves as artists to potential buyers; artmoney, then, was simply a low-input commodity or an attractive marketing device. Here emphasis was often placed on the virtues of artmoney as a source of income; to sell one's artmoney through the artmoney website provided what one artists termed a 'good small, steady income', and another simply stressed the principal benefit being 'I can spread my work worldwide, while I can also earn money with it'. In this group, even the social benefits of artmoney were often underplayed or sometimes disregarded, with artists tending to understand artmoney as a means to conventional economic ends. Indeed, one artist found artmoney appealing because the thorny and difficult issues of how to price one's art was made easier by the predetermined fixed price of artmoney; as he commented: '...the price is steady. I do not have to think of a price. I hate [pricing]'.

In artmoney, this necessary 'completion' of the commodification process is conveniently taken out of the hands of the artist. Clearly, then, artmoney might be viewed as simply another means of selling art, a niche product, rather than a potential alternative to the conventional

“the meanings and uses of art-money are many and varied, and often contradictory or run counter to the intentions of its founder”

art market; or an alternative or community currency; in this sense instrumentality and 'cold transactions' envisaged by Kraemmer might not necessarily be negated by artmoney - but enhanced by them.

Such data provides only a brief snapshot, but suffice to say the meanings and uses of artmoney are many and varied, and often contradictory or run counter to the intentions of its founders – ongoing research aims to explore these complexities further.

Discussion

The project of artmoney, in its formulation by Kraemmer, aims to raise awareness of (what he terms) the pressures of 'financial slavery', the essential 'worthlessness' of money in terms of its intrinsic 'lack of value', and the need to reintegrate society into patterns of more 'expressive' and meaningful exchange. Despite its currently limited success as a truly 'international' project and 'universal' currency, as an artistic work, artmoney is unique, thought-provoking, creative and inclusive – its modest (but durable) public recognition is indicative that it has been successful in something of the terms imagined by its original creator.

However, Kraemmer's artistic and political inclinations, while crucial to an understanding of the initial development of the artmoney project, do not – as I have illustrated – guarantee that the meanings and uses of artmoney are contained by Kraemmer's initial vision. Indeed, what has been identified is a plurality of engagements with the artmoney concept – not all of which appear to reflect or embody the ideals of its founder. In the hands of artists, artmoney has become a multi-purposed project. Thus, we see artmoney used as a means of buying other commodities, but also sold as a conventional art object, used in gift transactions, viewed as a challenge to an established aesthetic or technique, identified as a means to radical ends or derided as politically insignificant; it is used for personal and instrumental gain as well as to cement

friendships and sociability; it is both localised and a means of connecting cultures; it is both conceptual-idealistic and material-practical; it offers a challenge to conventional money economy and a means of reproducing it – it would therefore be a mistake to imagine that there is a stable and unified sense of what artmoney means or represents.

Yet this diversity of meaning is in a sense fitting; for while fragmented use appears to undermine the purity of the utopian vision behind artmoney, or detract from the possibility of the project developing a more coherent and sustained critique of conventional finance, it is this very plurality of potential uses that perhaps illustrates one of the key ambitions of Kraemmer's project – to challenge depersonalisation, conformity and standardisation in the organization of money and performance of exchange relations. The diversity of uses and meanings that surround artmoney production, and the mixed and contradictory motives of producers, serve to underline the variable, equivocal and profoundly social and human processes that Kraemmer would understand as (desirably) underpinning exchange relations. What is crucial here, then, is not that artmoney becomes established like a 'hard' currency, but that it provides a shared communicative context through which peoples varied needs, motives and demands can be negotiated and transacted.

Thinking this further; in *The Philosophy of Money* (1907) Simmel offered a definitive account of the rise of the 'impersonal', objective and rationalised modern society of money; a world where individuals were encouraged to enter into cold, calculative relationships by the increasingly standardised and uniform nature of commercial exchange. Simmel saw how the demands of modern societies for the national and international free-flow of goods and services led to the development of standard monies and standard ways of transacting – no longer was it necessary to develop or inhabit some specific, local system of exchange or to trade only with those individuals with whom one had come to know and develop a social reciprocating bond; money, as Simmel put it, was entirely 'conducive to the removal of the personal element from human relationships' (2004, p. 297). Yet, for Simmel, money was contradictory and ambiguous – while it was inhibiting and constricting, as individuals were forced to become commercially-minded and to undertake fast and impersonal transactions that were indifferent to their own personal qualities as human beings – money also enabled freedom from traditional social ties and obligations, as the market society allowed individuals to buy and sell goods (including their own labour power) with much less constraint than hitherto. The qualities of money were therefore double-edged.

However, as a critique, the artmoney project is less concerned with the freedoms of money as it is with its iniquities and constraints; thus it is perhaps in respect to Simmel's issue of 'impersonality' that artmoney can be said to have had the most impact as a challenge to conventional money – for while it cannot be said to have created an empirically substantial complementary or alternative economy, or usurped the impacts of 'real' money, or even significantly restored amongst its users some (assuredly utopian and mythologised) vision of pre-modern exchange, what it has been able to do, in some limited but appreciable way, is re-personalise exchange relationships amongst its participants and members. Through its capacity to stimulate individuals into apparently specific and unusual forms of exchange, to create situations that demand dialogue and reciprocal communication, and to usurp the conventional, depersonalised and 'unthinking' nature of economic transacting, artmoney not only reveals something of the truth about money – in terms of its socially constructed, mediating and organizing nature – but revives a claim for the value of intimacy and human communication in processes of exchange. Whether we see this in regressive or progressive terms, it certainly challenges Simmel's notion that money is only impersonal and colourless and lacking in communitarian sentiment.

To borrow from another of Simmel's (1964) writings artmoney also poses a challenge to the 'blasé' attitude that characterises modern commercial life, and forces actors into potentially stimulating and rewarding dialogues that might otherwise not take place. It reaffirms the value of forms of vernacular creativity that challenge the accepted benign union of culture and economy. Finally, we might also surmise that in functioning as money, the dual status of artmoney as an art object is underlined – for in its efforts to bring people together in conceptual and material exchange, we are reminded again of the artistic and aesthetic ambitions that lie at the core of the project; that is, to promote the value of art as a communicative medium and to gird an enduring belief in the ability of art objects to speak to us about the organised world we inhabit.

References

- Simmel, G. (1964) 'The Metropolis and Mental Life' (originally published 1903) in Wolff, K. (ed.) *The Sociology of Georg Simmel*, Free Press, New York.
- Simmel, G. (2004) *The Philosophy of Money* (originally published 1907), 3rd Edition, Routledge, London.



Complementary Currency Open Source Software in 2010

Matthew Slater

Developer of mutual_credit Drupal module and Co-founder of Community Forge

matlats@gmail.com

<http://communityforge.net>

Abstract

This report briefly covers the field of non-commercial mutual credit software, discussing the issues and challenges the projects collectively face in meeting the needs of the movement. There is a clear cultural divide between commercial barter software which helps businesses exchange spare capacity within the law, and free open source projects which help neighbours to exchange under the radar of the tax man. There is almost no cross-fertilisation between nonprofit, idealistic, community projects, and the business barter. The aims of both cultures are very different, though their methods are similar.

Introduction

This report briefly covers the field of non-commercial mutual credit software, discussing the issues and challenges the projects collectively face in meeting the needs of the movement. The intention is not to make direct comparisons but to take a higher view, with concrete examples.

There is a clear cultural divide between commercial barter software which helps businesses exchange spare capacity within the law, and free open source projects which help neighbours to exchange under the radar of the tax man. There is almost no cross-fertilisation between nonprofit, idealistic, community projects, and the business barter. The aims of both cultures are very different, though their methods are similar. It seems to me that the Business-to-Business (B2B) industry is much more a part of the commercial world than part of a movement for change. No commercial software is considered here because it is not used and not available for the purpose of purpose of social change. This may change as the recession deepens.

All projects under consideration have multiple instances in use and are open source.

The term 'association' is used in this report to mean a distinct mutual credit exchange circle, using its own currency, and whose transactions add up to zero.

The Playing Field

Before getting to the issues, here is a synopsis of each of the main projects, in order of age. These projects are selected on the basis that they are open source, have multiple implementations, and support community exchange using an arbitrary measure of value. Each one consists of a community of users, who log in via a web interface to log exchanges. Users are presented with their account balances and prevented from exchanging beyond certain limits. Usually there is an offers/wants directory to help users find partners-in-trade, and sometimes there are user profiles and other social networking features such as might be found in Facebook.

**International
Journal of
Community
Currency
Research**

www.ijccr.net

Table 1: Summary of Open Source currency platforms

| | Platform | Developers | Instances | Easy set-up? | URL |
|-------------------------------|----------|------------|------------|--------------|--|
| Cyclos | JAVA | 4 | Many | No | www.cyclos.org |
| CES | MS asp | 1 | 200 in one | Yes | www.ces.org.za |
| CCLite | PERL | 1 | few | No | www.hughbarnard.org |
| 4th Corner Exchange | Php | 1 | 10 - 20 | Yes | www.fourthcornerexchange.com |
| Drupal/Community Forge | Drupal | 1 | 30 | No/Yes | www.drupal.org/project/mutual_credit www.communityforge.net |
| Opensourcecurrency | Inoshi | 1 | 200 in one | No | www.opensourcecurrency.org |

Cyclos

Cyclos is the software implementation arm of the Social Trade Organisation (STRO), based in Netherlands. It is an open source, java, comprehensive package used in increasingly large projects around the world. This a robust and flexible accounting application, which can manage complex group structures, multiple currencies, business rules, and even paper notes with serial numbers. However it is famously weak on graphic flexibility, content management, and social networking features. The project focus is on STRO implementations rather than re-usable software, and third party developers find it awkward to work with. Several 'one-off' projects have deploying it as a back end accounting package despite the lack of formal documentation. The German Tauschring network picked up Cyclos and now use it routinely, even contributing back code.

Community Exchange System (CES)

Arising from a grass-roots movement in Cape town, CES is a free web service that hosts over 200 'Exchanges', each with its own currency and separate database. Its growing popularity makes this network a very good choice. Despite still being a one-man hardly funded software project, it is hosting a global network of mutual credit systems, which are trading between each other (more on 'intertrading' later).

CCLite

ccLite is a Perl package for local exchange trading systems (LETS), banking and other alternative money systems. Multi-registry, multi-currency, web services based transactions and templated to give multi-lingual capabilities.

Fourth Corner Exchange

Fourth Corner Exchange is a family of LETS like groups in the North East USA. Their php/MySQL application was written for multiple implementations of that specific model. Although development has mostly stopped, LETSlink UK has make their own adaptations to the software and implemented with several LETS associations.

Complementary Currencies module for Drupal

A Drupal module for web developers to implement a complementary currency within a social networking framework. It provides the expected mutual credit accounting features, very flexible forms for entering exchanges, and aims to meet the needs of a wide range of innovative projects.

Community Forge

Community Forge, is a small NGO based in Geneva, offering free implementation of Drupal aimed primarily at LETS associations. It is gaining popularity particularly in French speaking Europe.

OSCurrency

Developed by members of the Austin Time Exchange, this project is now under development for the Bay Area Community Exchange. While the platform, Insoshi is not well known, much attention has been given to openness, so that the system plugs in easily to the rest of the web.

Also worthy of mention are:

- **Time Banks UK** which since introducing intertrading and hosted sites has become one very large mutual credit exchange.
- **Ripple**, a way of accounting without money by finding trust-pathways through social networks
- **Metacurrency**, an attempt to make an all embracing standard model of 'currencies' and to make software which will support it, so that communities can design and use their own currencies, but all will be somehow compatible.

The Issues

1. Making software options accessible to implementers

Most new projects at the moment are focused on the issuance of paper notes, either representing hours or national currency. Paper is a tangible and immediate form of money which the banks are seeking to phase out, useful for small, day to day exchanges, but its drawbacks are under-appreciated:

- High cost of printing secure notes
- Very hard to monitor the velocity
- Suitable only for face-to-face exchange

While paper has a role to play, it will never compete with the high tech services and convenience that modern banking offers. A digital back end offers many benefits:

- More ways to conduct transactions, via web form, SMS, point of sale swipe cards, and even automated transactions.
- Better tools to monitor economy
- Easier to tweak the rules
- Easier to extend credit (you can't hold a negative balance of paper)
- Cheaper to scale

However community organisations often find software a traumatic subject. The more courageous implementers and designers are trawling the net trying to work out what each software package does, how they compare, and which is best for them, and whether they can afford it. The only information available to them is in the form of a few poorly maintained lists on the web with no review and no

Community organisations often find software a traumatic subject. The more courageous implementers and designers are trawling the net trying to work out what each software package does, how they compare, and which is best for them, and whether they can afford it.

attempts at balanced comparisons.

Implementers find themselves sifting through lists including dead projects, ready rolled services, and hard-core applications and there is almost no information available from other implementers. In practice there are ready rolled solutions, namely CES and Timebanks, but any group wanted to be remotely innovative, must choose between Cyclos, which can do anything in the accounting realm, but is unsupported, very specialised and difficult, and Drupal which is easier and offers all the community functionality, but is unsupported and under-developed.

Every CC community down to the simplest LETS has its own set of rules and/or ingrained ways of doing things, which provide barriers to the adoption of software. By contrast most of the software available was designed by and for communities who had the resources. So there is a problem of a lack of general purpose software.

We need to be building up communities of users, who support each other with design choices and software implementations, as well as handling enquiries from strangers. The Tauschringen are streets ahead in this respect with a community of volunteer developers who collaborate to manage most of the network across Germany and Austria. Regrettably there is no hard information about this in English.

2. Encouraging good governance

It's well known that complementary currency projects have a high failure rate, and widely acknowledged that this is largely due to poor governance structures being unable to sustain an initial flurry of interest. There are various ways in which software could support governing activities:

- Identifying hoarders and long-term debtors
- Identifying people who have been inactive for a while
- Rewarding the traders and behaviours which are most beneficial
- Collecting fees from every member to support the governance & management
- Helping with volunteer and task management
- Highlighting the users who most need to trade

Providers of software have an ideal opportunity to bundle in governance support to add value to the package. A delicate balance has to be struck between encouraging good governance by providing the tools and expertise, and promoting local autonomy, a vital aspect of building resilience to the present economic attacks on the middle classes.

Figure 1: System intertrading

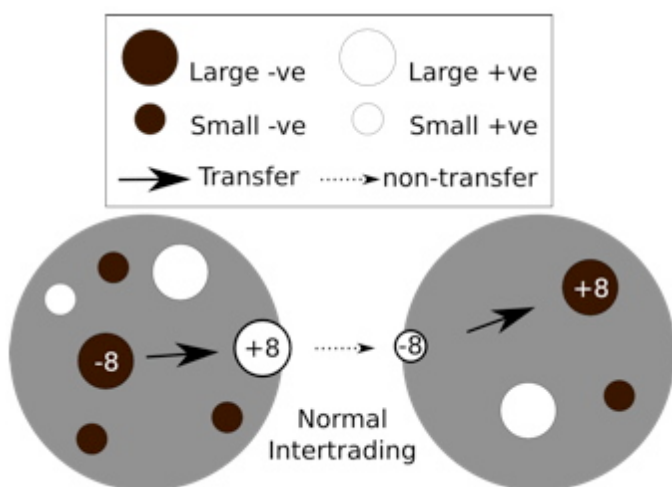
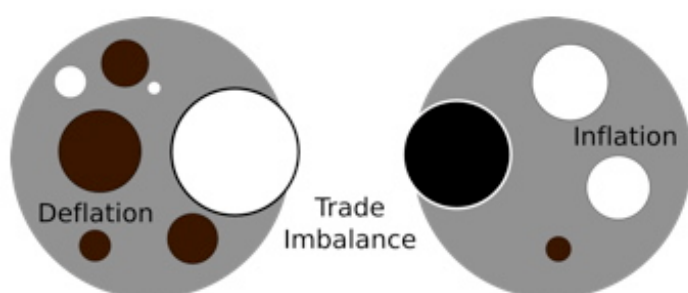


Figure 2: Inter-system imbalance



3. Intertrading

One of the major barriers to achieving scale in a decentralised mutual credit economy is the fundamental inability of associations to exchange value between themselves. However it is critical for the usefulness of the network that members be able to trade outside their local groups, across the network firstly with adjacent local groups

The most highly evolved solution seems to be that each scheme has a single 'intertrading' gateway account which holds the balance of all external transactions. In the following diagrams, each circle is an account, while the size of the circle represents its deviation from zero and the color, whether it is in credit or deficit. The grey circle represents the whole mutual credit association, who's balances always add up to zero; the *black and the white areas must be equal* in any association.

A 'virtual' transfer is when user A pays into his scheme's intertrading account, while user B is paid an equivalent from her intertrading account.

CES offered this mechanism almost from the beginning as all its 'exchanges' lived on the same server. The Tauschring network offers it as well but in a completely incompatible way. Community Forge is working with CES to define and implement a way for otherwise incompatible software instances to trade.

As the technical barriers are overcome, the main obstacle to this system spreading will be political. Local currency communities need to organise and to agree on a standard measures of value. The Tauschringen have agreed an algorithm which accounts for the value of the currency and the minimum wage.

Figure 1 shows how intertrading usually works between mutual credit clearing circles. This method works well because both parties use their local currency, and main accounts, and zero balance is retained in principle.

Figure 2 shows what happens when the intertrading accounts get too large in either direction and cause liquidity problems. The solution is for the association to constrain the intertrading account, just as all the other accounts have minimum and maximum limits.

The Tauschring network (Germany) has been working on this with Cyclos, and made a lot of progress in this area. They are automating the intertrading between Cyclos instances on different servers, which is harder because there needs to be better authentication and a registry of participating schemes.

This mutual credit economy has balance-of-trade mechanisms designed in. Intertrading mutual credit associations must, like their members, keep the balances around zero. The Tauschring network has a rule that no intertrading account should hold more than 10% of the scheme's activity. The equity of the intertrading account is therefore a collective responsibility, since a poor balance-of-trade will impact on liquidity.

They have also agreed on an exchange rate mechanism which factors in a time-value for the currency unit, and the local Euro minimum wage. Though there are some objections to using national currency as a measure of value, this system is the most advanced I know of.

A technical standard and exchange rate mechanism is needed so that associations can participate in intertrading, regardless of their technological platform.

4. Modularisation

The most used packages, Cyclos and CES are both about a decade old. That means in practice that they were coded from scratch, and are 'monolithic' and highly specialised. The sheer volume of code involved makes them very expensive to maintain. The next generation software tends to be built in open source frameworks with names like Drupal, Joomla, Wordpress, Django. This means that a whole community manages the common, or core functionality of the framework, providing regular upgrades and security fixes. Developers and implementers can often meet 80% or more of their requirements by assembling contributed blocks of code. In this way, developers are responsible for much less code, and are more able to concentrate on their special area of interest. The modern frameworks allow a wide range of applications to be quickly assembled from a vast pool of free modules.

Over the coming years, the proportional cost of upgrading, developing and maintaining the older software will go up and up. To justify this

expense, the older software will either require a complete overhaul, or will have to become increasingly specialised but pluggable to other things. I think an extremely good investment would be to connect Drupal to Cyclos. This would enable Cyclos to concentrate on accounting, as a purely back-end application, instead of trying to compete with all the bells and whistles that modern frameworks offer.

This innovation would take CCs to the next level, by distancing the economic functionality from the marketplace (matching needs to offers) and the froth of the social web. It should be decreasingly necessary to confine the CC to one web site with one meagre offers directory, because one (Cyclos) bank could do the accounting for as many marketplaces as needed.

5. Supporting innovation

Developers are aware of all these matters but progress in the movement is very slow compared to equivalent technical endeavors. This is because:

- There is almost zero investment in software itself; any investment is always directed at implementations, and most of the software is built by busy people in their spare time.
- No-one in the movement seems to be raising money, or making the case for Complementary Currencies to governments, foundations, or corporate social responsibility units. When money is raised, it is rarely invested in software.
- Perhaps because there's a tradition of web services being free, users of CCs don't expect to pay for it. The cost of their using banks are easier to hide, but whether users pay directly or indirectly, it is in the act of paying for that infrastructure that users gain or give up control over their economy and their financial services.
- Business barter software makes money because it's customers are business, and it helps those businesses run better. But communities don't monetise things in the same way. In the West there is almost no community-level governance and hence no money for investment at the community level.

Of all the software under discussion, only Cyclos is insulated from the possible demise of

its primary programmer. No investment means no staff, no reliability, no guarantees for the future, and is a disincentive to the innovators. Community currency projects, even when funded, can rarely afford to build their own software from scratch, yet no-one is funding pure software development because there is no direct and measurable impact.

Closing Thoughts

There is much talk and investment in 'virtual' currencies, especially from corporations like Facebook and Google. These may broadly fit the definition of complementary currencies, but they offer none of the benefits which we are concerned with, being mostly direct proxies for hard currencies intended to encourage spending in social networks. Someone should be looking into piggy-backing the commercial tools - using the Opensocial API to build a CC ecosystem.

If privacy were not a concern, Facebook would make an obvious platform for a complementary currency, to spread rapidly.

All the models under discussion so far assume that the currencies live on one server, in one integral database, where the same users log in and trade with each other and the governance is very clear. However, there is much room for abstraction. I would encourage theorists to consider how Paul Grignon's "digital coin" might be implemented and also to consider the implications of the Metacurrency initiative to mutual credit software architecture.

For decades now, CCs have had minimal impact, confined as they are to the margins of progressive economic experiments. The 'global' debt crisis is the best opportunity the movement will ever have to prove the impact of currency designs on their users. There must surely be opportunities now, with software and expertise, to engage with larger players. Entrepreneurs could be approaching the following types of organisations proposing CC solutions to their coming cash crises.

- Co-operative societies have always been amenable to CCs (remember the stamps?)
- Local energy generation companies have the perfect measure of value, basic commodity and community integration.
- Local food producers have assets in the ground which are perfect for monetising

- Could credit unions and similar local-based organisations better use assets with a CC?

Overall I would make the following recommendations:

1. Developers need to collaborate on an API to facilitate intertrading between associations, and networks of associations
2. Independent software reviews should be commissioned/encouraged.
3. Potential sources of long term funding need to be identified and courted.
4. The value/cost of the software needs to be better communicated to the potential users.
5. A Drupal module should be built to run Cyclos as a back end accounting package.