

## *Implementation of Complementary Currencies at the Regional Level*

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Five years ago we asked ourselves, how we could introduce and test a practical model of a permanent and stable money system, based on a circulation incentive - at a scale that would be relevant.

The local level seemed to be too small. Many of the mutual exchanges or LETS systems that exist nowadays, prove that people are looking for a way to create complementary systems. But the transaction costs are usually too high; that is: the time needed to obtain the desired product or service is often too long and, therefore, only a fraction of the needed goods and services can be obtained. One possibility of reducing the disadvantages, and including more specialized services, is to link the individual exchange clubs to larger units through a "Clearinghouse-Function", i.e. a jointly set up accounting system. This is presently being introduced and tested in the Austrian region of Voralberg.

On the national level, e.g. in Germany, we have just given up the Deutsch Mark and accepted the Euro. This has positive and negative aspects simultaneously. Positive: because it has put an end to the speculation between the former European currencies. Negative: as it is more difficult to react to specific national monetary situations, financial developments or critical events.

What remains is the regional level. It is here, at least theoretically, that the amount of commercial exchange that takes place within a region can be covered by a regional exchange medium and that the regional economic development can be revitalized through this measure. There are different conditions, naturally, which will determine how suitable some regions are for such a solution. In a region where there is a large diversity of production, the economic autonomy will be greater and in this way it will be more suitable for this solution, in contrast to a region that is dominated by a single employer where most people work in one and the same factory. Regional currencies, by the way, were common in Europe until the French Revolution in the 19th century. Then national currencies were introduced mainly in order to concentrate power and control, rather than to create more efficiency - as it often assumed in economic theory.

### *What is a Region?*

At present, there are relatively few studies or data available that can be used to support the arguments for regional currencies. The "Region" itself may be defined with the use of the new currency. Where the region begins and ends, physically, is dependent on the will of the people using the complementary currency. No one can be forced to use it. And the readiness to use it will be determined by socio-economic situation - but also by commercial, cultural or historical relationships.

Ideally, a complementary regional currency should be introduced parallel to a labelling of regional products so that goods and services can be identified as "regional products". That would give people a choice in shopping - especially for products and services from their region - and thus a further choice in supporting the region in which they live.

Most new jobs are created by small and middle-sized enterprises (SMEs). If money is put into production and not primarily into moneymaking activities, new perspectives are opened for regional economic growth through regional currencies. It seems entirely possible that local service-oriented banks could offer a regional currency in their product portfolio in co-operation with the municipalities in their particular region.

The goal is to allow a new practical experience with a stable exchange medium, designed as a community service rather than a profit-making commodity. This may be the starting point of a new development. And similar to the first energy-saving houses that were built in the 1970ies, the new models may probably not yet be perfect.

### *Let us take a practical example*

From the numerous projects that are presently being implemented and which will be included in the next book, co-authored by Margrit Kennedy and Bernard Lietaer, we would like to talk about one example. Having mentioned the idea of a complementary regional currency system for the first time in a conference in June 2002 in Steyerberg, Germany, this project was put into practice within a half year. The first attempt, in creating regional money as a complementary exchange medium, was initiated in a Steiner School in Prien in the region of Chiemgau, Bavaria, by the economics teacher Christian Gelleri ([www.chiemgauer-regional.de](http://www.chiemgauer-regional.de)).



The "Chiemgauer" project is a voucher system in which, ideally, all stakeholders have advantages. Many consumers are members of an "association". In exchanging Euros, they get Vouchers of the same value - but support their association, which gets 3% of the transactions.

The shopkeepers who take the vouchers in payment can redeem them back into Euros with a slight loss - a 5% redemption fee - or they can use them for paying in another shop, for paying their employees or for paying their advertisements in the local newspaper. But within three months the Vouchers, which are subject to a circulation fee, return to the issuing agency which receives the two percent difference between the redemption fee of 5% for the shopkeepers and the bonus of 3% for the association for its work.

In addition, customers accept a circulation incentive - a fee of 8% per annum. Every three months (4 times a year), a 2% stamp has to be bought and stuck on to the voucher - otherwise the voucher does not retain its full value. This somewhat clumsy system can be later simplified by use of electronic payment functions.

The Chiemgauer consumer chooses a charitable organization or project to which the 3% bonus fee will be paid. In this manner, the buyer of this new exchange medium - at first: the parents of the Steiner School children - supported the new extension of the school. In the meantime, many other non-profit projects are on a list - and now the members come from all over the region.

Most of the shopkeepers see the complementary currency system as a customer loyalty programme (similar to airline bonus-miles, with which a person can pay for a room in a hotel or for many other commodities and services). The voucher system, actually, is not really creating a new currency, but using the possibility of giving the customer loyalty or bonus systems - an additional function. Through the statutes of an association - the members have defined a framework of how and where the vouchers can be used.

Nowadays, in Germany, anything up to 10% of their income is being used for customer loyalty. Therefore, the support of the regional currency does not bring more costs for the shopkeepers. As the people can pay with this regional exchange medium, they come back to that particular shop. As retailers experience that they can pay others with this medium of exchange, the Steiner school students coming back to the shops (at the end of each month) to exchange the Regional Vouchers i.e. the Chiemgauers for Euros, hear that there are no vouchers in the cash box, because the shop keepers have passed them on. The participating businesses in Chiemgau have increased their turnover.

The effect for the customers is pretty clear - they pay with vouchers, where they possibly can, before using Euros. And that is what a regional currency is all about. In Australia, a similar scheme showed that while 70% of the SABC vouchers were exchanged back into Australian Dollars in the first year, in the third year, it was only 7%. The vouchers were being used as a complementary currency and the cost of redemption had worked like a demurrage or circulation fee.

The cost of administrating the vouchers is covered by the income difference between the 3% bonus and the 5% redemption fee. Any "surplus" from the circulation fee goes to the specified projects in the region. Those who use the regional exchange medium are ready to accept a small loss (if they hold on to it in their pockets as cash), because they have the advantage that they can support their choice of projects, associations or events.

One advantage of the voucher system is that the consumer only exchanges Euros into the regional-vouchers for what is needed or can be spent. This also works as a safety measure that not too many vouchers will be issued. Otherwise, this might cause an inflation of vouchers, if the issuing association is not careful.

This safety feature of "Voucher Currencies" does not exist in the so-called "Fiat-Currencies" which can be created practically out of nothing. This was the way in which the DM was introduced in 1945. Each person was paid a flat sum of DM 40, - which started the German "Economic Boom". Likewise, one could imagine, for instance, that a "regional currency" could start by paying out a relatively small sum of regional currency per head of the population. This may create legal problems nowadays; and the danger of unlimited expansion of the amount of money issued. In the Argentine - after the national currency crash in Dec 2001, for instance -- many complementary currencies all over the country helped two million people to survive for some months. Later, inflation - printing too many notes - and forgery were the reasons for the collapse of this otherwise very effective medium of exchange.

The following three reasons may help to explain why this idea - in Germany - has been taken up so quickly and been put in practice:

- Firstly, there seems to be many aspects that speak for a revitalisation of regional economy and identity, balancing the unilateral tendency towards globalisation. This applies to the marketing of fresh food in the region as well as to the use of regenerative energies or improving bio-regional water, sewerage and waste disposal systems;
- Secondly, many individuals and groups are searching nowadays for a practical way to overcome the present economic and unemployment crisis;
- Thirdly, there are very few legal possibilities to create a regional exchange medium that simultaneously offers advantages to all concerned - and, therefore, has the chance of being accepted by a wider population base.

### ***Further Development***

In the last two years, a group of Economics Professors from Austria, Germany and Switzerland have formulated a new report for the "Club of Rome". The title is *Wie wir wirtschaften werden* (How we will develop our economies). It has been published in September 2003 and fills a gap that was left by the first Report of the Club of Rome *The Limits of Growth* that started the sustainability debate about 30 years ago. The Meadows and their co-authors left out the subject of money, as they saw money as a passive accounting system that had neither negative nor positive influence on the question of sustainability. The new report refutes this thesis and identifies the introduction of complementary local and regional currency systems as an important part of sustainable development.

This indicates a new openness in the scientific and political realm and is the basis for our further work which aims at:

- implementing regional currencies in the regions in a professional manner yet also as a community service, i.e. on a non-profit basis;
- structuring the governance of regional currencies in such a way that they can be democratically controlled and lead to linking unmet needs and underutilized resources in the region;
- analysing the experience of the concept of "regional currency" in a few regions before too much enthusiasm creates too many mistakes and gives the opponents enough arguments to blast the concept before it has been tried out.