



Local Currency Systems and their contribution toward regional sustainability processes

Martina Schäfer



Structure

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2. Research Questions and Methods

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Contributions toward sustainable regional development

- Support of regional economics
- Support of regional structures and identity
- Initiation of a broad public discussion
- Generation of social capital
- Acquirement of individual competences

4. Conclusions

1. Introduction

Most local currency systems are based on the **vision/ concept of sustainable regional development.**

This concept links the discussion about self-sufficient (endogenous) regional development with considerations of the global range of current social and ecological problems.

Reaction to the negative consequences of the global economic system, which is based on continuous growth and externalisation of costs.

The concept draws on basic assumptions of the theory of “reflexive modernity”.

2. Research Questions and Methods

Till now, almost no empirical analyses (in Germany) of the contribution of local currency systems toward sustainable development have been carried out.

A quantitative analysis of the economic, ecological and social effects of local currency systems is not (yet) possible, because of the short time they have existed and their low turnover.

In two theses, however, an exploratory, qualitative estimation of their effects has been carried out.

2. Research Questions and Methods

2.1 Contributions toward sustainable regional development (Schulz 2005)

- a) Do the local currency systems contribute toward sustainable regional development concerning:
 - the support of regional economics,
 - the support of regional structures and identity and
 - the initiation of a broad public discussion?
- b) Do the local currency systems differ in their organisational structures?
- c) Can links be identified between organisational structures and contributions toward regional sustainable development?

Method: Qualitative interviews with the initiators of 8 local currency systems, analysis of websites and documents

2. Research Questions and Methods

2.2 Local currency systems as institutions of reflexive modernity (Koch 2006)

- a) Do the activities of local currency systems contribute toward the generation of social capital (vertical and horizontal links in the region)?
- b) Does engagement in these initiatives lead to new individual competences?

Methods: Qualitative interviews with 11 members of two local currency systems, document analysis, participative observation

3. Results

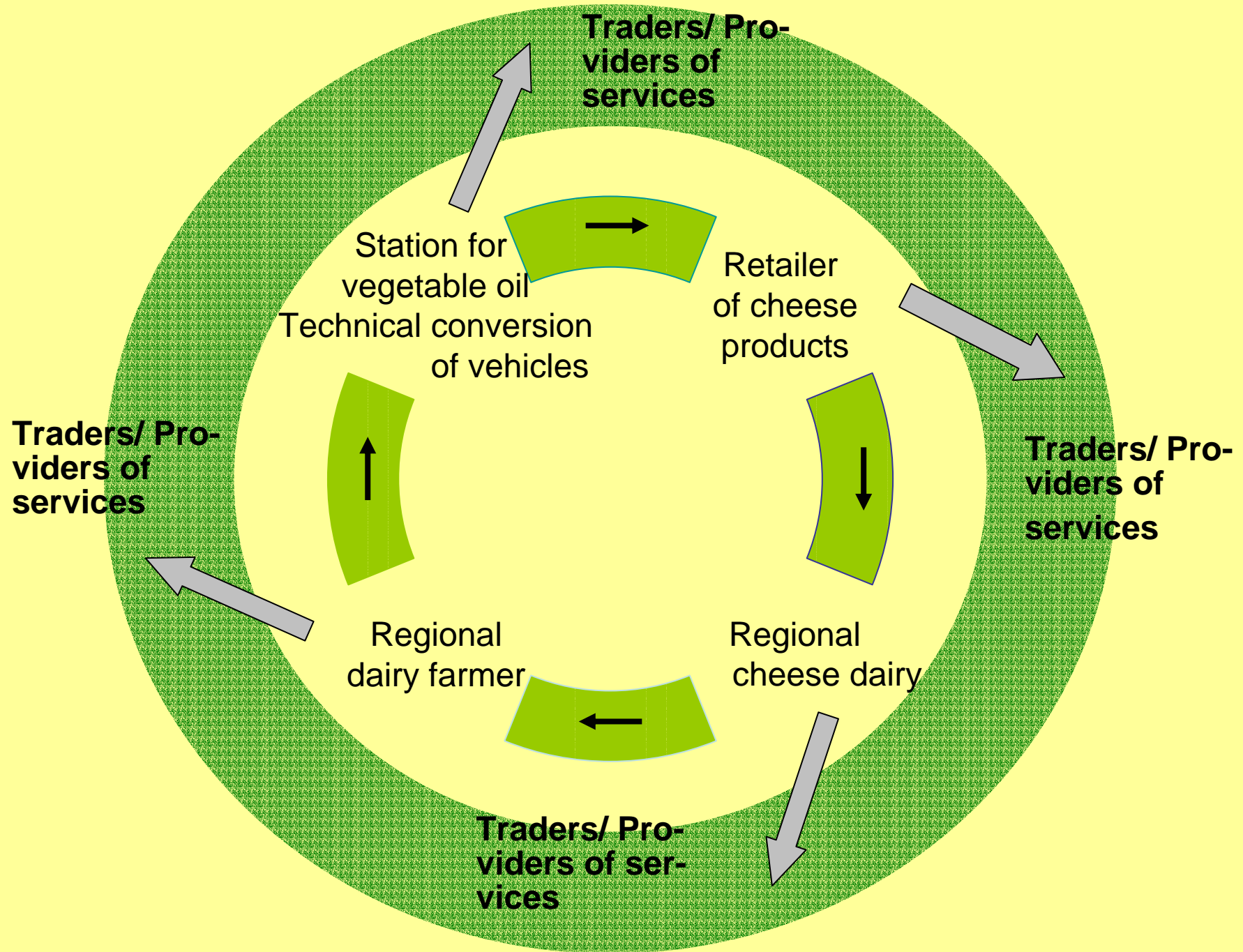
3.1 Contribution toward sustainable regional development

Support of regional economics

- An important motivation for all of the initiatives
- Exclusively small and medium enterprises participate in the local currency systems.
- The goal of providing mostly regional products to satisfy basic regional needs cannot be fully reached yet.
- Partly new trading relations have been initiated.

In most initiatives, the links between the enterprises must be strengthened in order to achieve a wider circulation of local currency.

Two of eight initiatives claimed that retailers are observing higher turnovers or that positive economic impacts for the region can be identified.



3. Results

3.1 Contributions toward sustainable regional development

Support of regional structures and identity

- Five of eight initiatives support regional specialities, mostly food or regional handicraft products. Some initiatives organise regional discussions or integrate themselves in regional processes.
- Five of eight initiatives regularly donate part of the regional currency (3% by changing the currency to Euros) to non-profit organisations.

Initiation of a broad public discussion

- Often intense local and regional networking and support by multipliers (sometimes prominent persons)
- Seven of eight initiatives have experienced strong response from the public media (TV, radio, journals etc.)



Initiative	A	B	C	D	E	F	H	W
Support of regional economics								
<i>Support of regional SMEs</i>	++	+	+	+	++	+	++	+
<i>Initiation of new trading relations</i>	++	-	+	-	+	-	-	-
Support of regional structures and identity								
<i>Support of regional specialities</i>	++	+	++	+	++	++	-	-
<i>Support of regional NPO</i>	++	++	++	+	+	-	++	-
Initiation of a broad public discussion								
<i>Networking</i>	++	+	++	++	++	+	+	+
<i>Presence in the media</i>	++	++	++	++	++	+	-	+

Table: 1: Contributions toward regional sustainable development

3. Results

3.1 Contributions toward sustainable regional development

Success Factors

- a minimum of three initiators and a pretest
- no member fee
- an office with regular opening hours
- an account-based system
- a balanced relation between traders and consumers
- the integrated donation function
- a high number of supporters and multipliers

3. Results

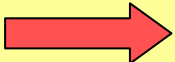
3.2 Local currency systems as institutions of reflexive modernity

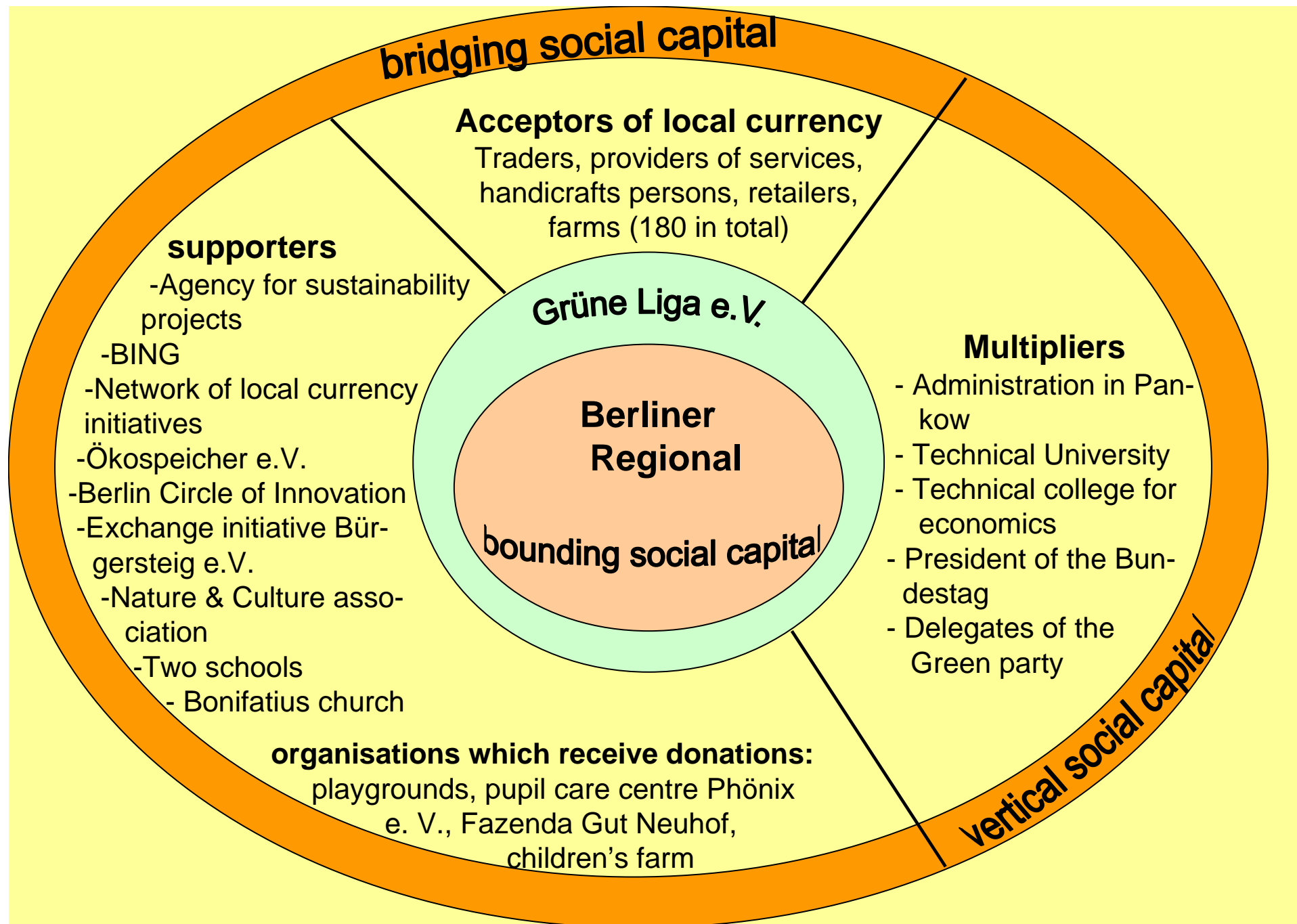
Generation of social capital

- Formation of the group

 Bounding / horizontal social capital

- Links to partners
- Links to local/ regional traders
- Links to supporters and multipliers

 Bridging social capital or linking / vertical social capital



Graph 2: Networks of a local currency initiative

3. Results

3.2 Local currency systems as institutions of reflexive modernity

Acquisition of individual competences

In local currency initiatives, different types of individual and collective learning processes are initiated:

- Reflection on new topics (e.g. regional economics, monetary theory, regional history)
- Trying out new capacities like moderation, public relations, actualisation of a website, accounting etc.
- Social learning: transparent and fair division of tasks, democratic decision-making, taking over of responsibility, making contact with different societal actors

4. Conclusions

Reflection on the ecological and social consequences of the first - *industrial* – modernity forms the idealistic basis of the local currency initiatives.

Local currency initiatives can be seen as forms of manifestation of the second – *reflexive* – modernity:

- Confrontation with the negative consequences of the first modernity
- Support for individuals in the process of coping with the demands of reflexive modernity (individualization, loss of familiar structures, flexibility, etc.)

By supporting regional economics and non-profit organizations, by linking different regional actors, and by promoting a broad discussion about regional topics, the local currency initiatives have the potential to contribute toward regional sustainable development.