



FLYING MONEY

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INVESTIGATING ILLICIT FINANCIAL FLOWS IN THE CITY

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COMPLEMENTARY CURRENCIES

KEY SYSTEMS FOR BETTER AND FAIRER ECONOMIC COOPERATION

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Over 5,000 community currencies exist across the globe. Far from being fully developed, they face many challenges and could offer more possibilities. In Switzerland, the District Currency brings a new element missing from all traditional currency models: the consideration of the commons as an integral part of a currency design.

Money. Everyone uses it and strongly depends on it. It is the means by which we trade among ourselves; it is our main cultural store of and standard of value. In a globalized world, where the importance of building (new) sustainable ways of living – particularly in the context of cities – is getting bigger everyday, money is often the missing piece of the equation. Driven by the current monetary and banking system, it remains one of the most – if not the most – centralized and controlled resource we have.

Nevertheless, in communities worldwide people have come up with alternatives to the usual way of paying for goods and services. Instead of using legal tender or fiat currencies such as Euros, Swiss Francs, US Dollars, Pounds or Yen, they are using privately developed substitutes.¹⁰⁹ Called complementary, regional or community currencies, these alternative systems complement a national currency with the intent to stimulate the local economy.¹¹⁰ They support ‘the movement towards local and sustainable economies, and [strengthen] the communities they operate in’.¹¹¹

Complementary currencies: examples of bottom-up intervention that strengthen socio-economic development

Their potentials are wide. In most cases, they emerged as responses in times of economic collapse, when national currencies can no longer meet the needs of the population and when people lose faith in the established monetary system.

When well designed, a complementary currency can provide several advantages. It can unleash blocked economic potential, lessen the included indirect costs, strengthen local exchanges – and as a consequence reduce transport, traffic and energy consumption – stabilize and support local SMEs and, therefore, reinforce local employment.¹¹²

By increasing local economies’ resilience to economic volatility, empowering economically-

109 Amy Fontinelle, ‘An Introduction to Complementary Currencies’, *Investopedia*, <https://www.investopedia.com/articles/economics/11/introduction-complementary-currencies.asp>.

110 Paolo Dini and Alexandros Kioupiolis, ‘Community Currencies as Laboratories of Institutional Learning: Emergence of Governance through the Mediation of Social Value’, *Inaugural WINIR Conference*, London, 11 - 14 September 2014, <http://eprints.lse.ac.uk/59307/>.

111 Hannah Greinetz, ‘How Local Currencies Are Driving Stronger Local Economies’, *Meeting of the Minds Blog*, 15 January 2015, <http://meetingoftheminds.org/local-currencies-driving-stronger-local-economies-12279>.

112 Panayotis Antoniadis, Jens Martignoni and Leandro Navarro, ‘Economic Sustainability of CNs (v1) Introducing Community Currencies’, *Network Infrastructure as Commons Project*, Deliverable number: D2.4 (2017), https://www.netcommons.eu/sites/default/files/d.2.4-v1.0_submitted.pdf.



marginalized populations with an inclusive form of exchange and reinforcing economic democracy by giving communities the opportunity to design their own currencies, complementary currencies provide a good example of bottom-up intervention that strengthen socio-economic development through greater trust and transparency.¹¹³

Renaissance in terms of media exposure and consumer popularity

From the SOL-Violette¹¹⁴ in France to the Brixton Pound in the UK¹¹⁵, the Léman in Switzerland¹¹⁶, the Calgary Dollar¹¹⁷ in Canada and the Sarafu-Credit in Kenya, it's now estimated that over 5,000 community currencies have been established across the globe. If this field of research has received little attention until today, complementary currencies are currently enjoying a renaissance in terms of media exposure and consumer popularity. Cryptocurrencies such as Bitcoin and Ether – by advocating for anonymity, absolute individualism and independence, replacement of direct human trust by algorithms and computing power – are in many ways in complete opposition to most complementary currencies, which are designed '[...] to foster human relations, direct trust, cooperation, democracy and the common good'.¹¹⁸ However, the debate that surrounded crypto currencies and blockchain technologies in recent years has played an important role in promoting alternative ways of exchanges and creating new narratives around money and value, while questioning the established system (with its limits and downfalls in terms of trust, security and efficiency). It is important to note that more participatory and open ways, such as the complementary currency toolkit Freecoin,¹¹⁹ have since then been created.

Despite their potential, few complementary currencies last over time

Although complementary currencies have recently been put in the spotlight, they actually predate most of the state-backed currencies in circulation today. As mentioned above, they have a tendency to appear and disappear in tandem with the state of correlating national economies:

*The Great Crash of 1929 pushed hundreds of municipalities on both sides of the Atlantic into issuing their own alternative currencies to salvage local finances, from the WIR system in Switzerland to corporate scrips in the US north-east. Elsewhere, the Spanish Civil War and subsequent socioeconomic instability led to the creation of nearly 400 different types of community currency across Spain, while Greece's colossal economic crash in 2009 inspired the cashless Local Alternative Units system.*¹²⁰

Despite their promising potential, very few complementary currencies last long-term. They are usually organized as legal entities such as associations or cooperatives. Many currencies run on centralized ICT infrastructures and platforms such as Cyclos¹²¹ or CES¹²². Sometimes,

113 Fontinelle, 'An Introduction to Complementary Currencies'.

114 See: <https://www.sol-violette.fr>.

115 See: <http://brixtonpound.org>.

116 See: <http://monnaie-leman.org>.

117 See: <http://calgarydollars.ca>.

118 Antoniadis, Martignoni and Navarro, 'Economic Sustainability of CNs (v1) Introducing Community Currencies'.

119 See: <https://freecoin.dyne.org>.

120 **Nash Riggins**, 'Local currencies save communities from economic turmoil', *Europeanceo*, 10 August 2017, <https://www.europeanceo.com/finance/local-currencies-save-communities-from-economic-turmoil/>.

121 See: <https://www.cyclos.org>.

122 See: <https://www.community-exchange.org/home/about-us/>.

paper notes are used (alone or in combination with e-money). The costs associated to the maintenance of this infrastructure can be high; they are, in most cases, covered through voluntary work, membership fees or, in the case of professional currencies, by transaction costs or taxing system. 'The currency survives as long as its operational costs are covered, it is well operated by the management and is regularly and along its principles used by the members of the community.'¹²³ Many challenges (in terms of trust, scalability, costs, legal issues, etc.) need to be overcome in order for these systems to keep running over the years and most complementary currencies fail to scale to more than a few hundred active members. Complementary currencies therefore rarely manage to engage a wider part of the local economic actors. More specifically, complementary currencies have '[...] to compete with global institutions with tremendous power, require a level of social cohesion and local collaboration that is more and more difficult to assume, and offer solutions that are complex to implement and prone to failures.'¹²⁴

With 45.000 business members, the Swiss WIR is one example of a success story

Nonetheless examples of success stories such as the Swiss WIR¹²⁵ (the oldest complementary currency still ongoing with around 45.000 business-members representing around 8% of the all Swiss SME's) or the Sardex in Italy¹²⁶ can be found. They provide evidence that such currencies can play a long-term complementary role to the global economy. While most complementary currencies are born in times of economic crisis, their benefits extend beyond the satisfaction of direct needs. 'They raise awareness about the nature of money and they contribute to the engagement and emancipation of communities. Hence, in many cases, [they] have evolved to something more than "emergency" solutions.'¹²⁷

From social and environmental motivations to solutions centered on SMBs, community currencies vary wildly

Loyalty schemes, reputation points, volunteering credits and money transfer systems are all popular among contemporary markets.¹²⁸ The WIR in Switzerland and the Sardex in Italy are solutions centered on small and medium size businesses, while the RES (initially launched in Belgium and now expanding to Catalonia, Spain)¹²⁹ is expanding to customers. Some systems focus on supporting regional economy and sustainability such as the English transition currencies the Totnes Pound¹³⁰, the Brixton Pound and the Bristol Pound¹³¹ as well as the Chiemgauer in Germany¹³² (the main effects of such a currency are identified through changes of the behavior of the users. They might prefer local businesses and avoid saving the currency,

123 Antoniadis, Martignoni and Navarro, 'Economic Sustainability of CNs (v1) Introducing Community Currencies'.

124 Antoniadis, Martignoni and Navarro, 'Economic Sustainability of CNs (v1) Introducing Community Currencies'.

125 See: https://www.wir.ch/fr/?gclid=EAlaQobChMlxpvjjeqW2wVW4myCh27hwoTEAAYASAAEgLaRPD_BwE.

126 See: <https://www.sardex.net>.

127 Panayotis Antoniadis, Merkouris Karaliopoulos and Jens Martignoni, 'Economic Sustainability of CNs (v2) Community Currencies for Community Networks', *Network Infrastructure as Commons Project*, deliverable number D1.6, Version 2, (2018), <https://www.netcommons.eu/sites/default/files/d.2.6-v2.3.pdf>.

128 Riggins, 'Local Currencies Save Communities from Economic Turmoil'.

129 See: <https://www.res.be>.

130 See: <https://www.totnespound.org>.

131 See: <https://bristolpound.org>.

132 See: <http://www.chiemgauer.info>.



resulting in a higher local liquidity and purchasing power.)¹³³

The Spice Time Credits in England¹³⁴, as well as many hundreds of time-banks and LET-Systems (Local Exchange Trading system) worldwide¹³⁵ bring examples of currencies with social and environmental motivations. The LET-System – today widespread over the world – was created in Canada in the 80s and is based on mutual credit between individuals using a centralized database ledger to maintain the system. The South African web service Community Exchange System (CES) provides, for instance, a platform and tools for communities to set up and manage exchange and trade in their areas without using official money. The concept of time banking was developed in the 80s as well. In this model, the unit of currency – as its name suggests – is time and the focus is on social activation and network creation.

Another class of complementary currencies, called incentive-currencies, is based on the idea that, through rewards, people are willing to take action into certain direction. Voluntary work for social and cultural activities often lags behind its potential because of a lack of resources by the people. A possible solution is to pay voluntary efforts with non-commercial money: a community currency to bridge the gap and to focus the efforts. In the UK, the Spice Time Credits is an example of such a currency. The ideas behind it are rooted in the need to revive communities in ex-mining areas in South Wales. The Spice organization has developed programs that include the voluntary, public and private sector to create a national network of local Time Spice branches.

The District Currency: integrating the commons in the community currency's design

From the many different attempts and approaches it can be seen that community currencies are far from being fully developed and could offer many more possibilities. The potential of currencies as key systems for better and fairer economic cooperation therefore can be exploited through improved monetary concepts.

*Most of the community currencies developed over the past 50 years are based on the individual exchange of the free market concept, and are optimized to facilitate the exchanges of goods and services in a network of individuals or companies considered as individual actors. The existing mutual credit systems, LETS or the time-banks concept [...], preferably support this market-centered or peer-to-peer view, and most currencies limit joint community activities as far as the operation of the currency system is concerned.*¹³⁶

In such a context, The District Currency (a model of a new type of community currency especially designed for housing cooperatives or cooperatives in general) was created. The model which was initially designated by the name Quartierwährung (quartercurrency, citydistrictcurrency in German) was developed by FleXibles Economic Research & Development,¹³⁷ Zurich, in partnership with the University of Applied Sciences of Northwestern Switzerland (FHNW). It [...] brings a new element missing from all traditional currency models, the consideration of the commons as an integral part of a currency design.¹³⁸ The motivation, in terms of community engagement, behind the development of such a currency, [...] is the fact that many communities are built around the values of commoning and mutual-help,

133 Antoniadis, Martignoni and Navarro, 'Economic Sustainability of CNs (v1) Introducing Community Currencies'.

134 See: <http://www.justaddspice.org/about-us>.

135 Antoniadis, Martignoni and Navarro, 'Economic Sustainability of CNs (v1) Introducing Community Currencies'.

136 Antoniadis, Karaliopoulos and Martignoni, 'Economic Sustainability of CNs (v2) Community Currencies for Community Networks'.

137 See: <http://www.flexibles.ch>.

138 Antoniadis, Karaliopoulos and Martignoni, 'Economic Sustainability of CNs (v2) Community Currencies for Community Networks'.

which are often neglected in practice because of today's economic circumstances like busy schedules, privatization, and more.¹³⁹ The aim is to encourage participation and exchange through the use of a complementary currency. An additional potential of such system is the reduction of neighborly anonymity. At the core of its design, the District Currency puts a set of 'common work', whose accomplishment is democratically decided by a group. The model aims to help cooperatives to boost their internal economy and help surrounding districts to develop economically. It might also be useful for neighborhood groups and networks of various types.

Functions of the model

*The money creation of the new currency is done centrally by the cooperative in the form of fees or recognitions for community services. The currency can then be used for other purposes and capitalize talents and skills of its members. After specified periods, a part of the currency in the form of taxes or a part of the rent is returned to the cooperative. Thus, a constant and controllable circulation of currency arise, which also has the potential to replace a (limited) portion of the revenues in local currency, such as Euro or Swiss Francs.*¹⁴⁰

Implementation and further developments

Initially, the District Currency was specifically developed for a new building project of the cooperative *Mehr als wohnen*¹⁴¹ in Hunzikerareal, Zurich, Switzerland. With this first large-scale settlement, the cooperative realized an exemplary flagship project with particularly resource-conserving, sustainable and community-promoting characteristics. The first model of the currency, first called *Quartierwährung* in German and later translated into *District Currency* in English, was developed between 2012 and 2014. Implementation of the currency is still under consideration, however, the initial concept has since the opening of the settlement been refined and further developed using simulation methods and gaming.

The importance of planning games in economic education

While the topic of money and currency can be complex to explain, planning games have proven to be successful methods to help understand difficult concepts and learn about complex systems. 'The idea of using educational games for the development of new community currencies and for the adoption or introduction of such currencies into a community was born out of the inherent difficulty to evaluate new currency designs from their description on paper.'¹⁴² To demonstrate the possible implementation of a district currency, the simulation District-Currency-Game was developed in 2014 as another Flexonomix game¹⁴³ and has since been tested different times.

139 Antoniadis, Karaliopoulos and Martignoni, 'Economic Sustainability of CNs (v2) Community Currencies for Community Networks'.

140 COMPARE Network. Interdisciplinary explorations of self-organization in Zurich, Switzerland, COMPARE project report, April 2015, http://compare-network.net/documents/compare_report_zurich_apr2015.pdf.

141 See: <https://www.mehralswohnen.ch>.

142 Antoniadis, Karaliopoulos and Martignoni, 'Economic Sustainability of CNs (v2) Community Currencies for Community Networks'.

143 See: <http://flexonomix.org/en/about-us/>.



The Flexonomix District-Currency-Games

The Flexonomix District-Currency-Game introduces a district currency for housing cooperatives. It is used as a role model to demonstrate the power of democracy and the commons through an interest-free monetary system. The aim is to provide an easy applicable and effective tool to all interested housing cooperatives and neighborhoods to serve communities trying to include the management of the commons as an integral part of their local currency. Such currency models are intended to serve the community which attempt to solve economic, ecological and social problems on the basis of communal democracy. Today, the District-Currency-Game is being implemented by the Zurich-based non-profit organization NetHood¹⁴⁴ – with the netCommons project¹⁴⁵. The District Currency itself is being discussed in new Zurich housing cooperatives. NetHood was founded in 2015 with the aim to bridge research and action around the design and use of tools that allow people in localities to get in contact, self-organize, and cooperate. Such tools include DIY wireless networks, community currencies, cooperative housing models, hybrid social infrastructures, and community-supported infrastructure. The organization engaged in ongoing work on community networks and educational games for understanding community currencies as tools for commoning projects such as the cooperative housing projects NeNa1¹⁴⁶, *Mehr als wohnen* in Zurich and/or community networks such as Guifi.net in Barcelona.¹⁴⁷ In the context of the netCommons project, the initial model of the District Currency was refined and generalized in order to make it applicable to the environment of community networks. An extended part of the resulting work is currently under publication at the International Journal of Community Currencies¹⁴⁸. The next objective is to prepare a pilot project and evaluate at least one year of operation to further refine the model and explore in more depth the ‘human interface’ – such as the behavioral aspects of the currency – based on empirical evidence.¹⁴⁹

144 See: <http://nethood.org>.

145 See: <https://netcommons.eu>.

146 See: <https://www.nena1.ch>.

147 See: <https://guifi.net>.

148 See: <http://ijccr.net>.

149 Martignoni, Antoniadis and Karaliopoulos, ‘Economic Sustainability of CNs (v2) Community Currencies for Community Networks’.

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