So you want to talk about the next small BIG thing? LETS!

While Dollars, Euros, Yens, Reals, and other conventional currencies continue to be mass produced and circulated around the world, their rising and falling values and the booms and busts they cause making headlines across the globe, a quiet revolution of new currencies and monetary systems is underway. Still at the peripheral vision or unknown to many leaders and the general public, *complementary currencies* (also known as *cooperative* or *social* currencies) have been growing exponentially over the past three decades and are making incredible positive changes to communities worldwide. Circulating in tandem with conventional money systems, these new currencies have revitalized local economies, created employment, lifted thousands out of poverty, and even transformed entire towns. In this paper, I will introduce a few existing complementary currencies and illuminate the remarkable impacts they have made in communities and regions around the world. Through these examples, I aim to illustrate how these emerging, innovative currencies have already been and, in the coming years, will likely become increasingly used as instruments by policy makers and civil society to achieve sustainable development objectives and foster greater local economic resilience.

Reimagining Money

Money is often taken for granted as a passive accounting instrument used to facilitate exchanges more efficiently than barter. This 'medium of exchange' has been so engrained in society that we often forget that money is a manmade construct rather than a product of nature. Modern money, along with central banking and its conventions which made it possible to make money out of money, were in fact crafted some 300 years ago in Europe.[1] They can be credited with giving birth to the industrial revolution, spawning enormous leaps in scientific knowledge and discovery, and they have resulted the most materially productive civilization in the history of humankind.

The bank-debt money system, however, also generates both scarcity and competition that have grave impacts on our daily lives in all levels of society. We misleadingly believe that the lack of money is the root of societal problems from unemployment to poverty, and thus if there were simply more money circulating, these issues would be solved. However, there is increasing awareness by some economists, policymakers, and community leaders that it is not the *amount* of money in circulation but rather the *type* of money being used (conventional bank-debt money) that is the issue.[2] Recent research has also linked the monoculture of a single type of currency to the monetary and financial instabilities that have manifested throughout modern history; including the 145 banking crises, 208 monetary crashes, and 72 sovereign debt crises took place worldwide between 1970 and 2010.[3] If the monopoly of the bank-debt money system is indeed the likely culprit of these crashes and crises, a more diverse monetary ecology could also help stabilize regional economies.

The fact that money is a human invention means that it can be reimagined and redesigned; and this is in fact happening in societies all over. Across the globe, individuals, organizations, businesses, and governments have been reassessing and reengineering money, creating new cooperative systems that work in tandem with the conventional monetary system which shift the predominant features of scarcity and competition to ones that provide alternative, more sustainable opportunities for all. Over the past three decades, there has been a surge in complementary currencies around the globe – from just a handful in the 1980s to over four thousand today[4] – developed with the core aims of achieving social objectives (through motivating certain behaviours) and strengthening local economies (through supporting local businesses, stimulating employment, and promoting the purchase of local products).

LETS

The most common type of complementary currency system is the Local Exchange Trading System (LETS), locally initiated, democratically organised, not-for-profit enterprises that provide a community information service and record transactions of members exchanging goods and services by using the currency of locally created credits.[5] LETS were created to facilitate trade within circuits in neighborhoods, villages, and towns. They are essentially mutual credit systems whereby currency is created by a simultaneous, interest-free credit and debit transactions. For instance, a LETS member may earn credit by providing childcare for one person and later spend it on garden work with another person in the same network.

LETS' money supply is self-regulating, since members issue their own currency within their defined community. It also overcomes the restraints imposed by a scarcity of the national currency, and instead promotes sufficiency by enabling members to use what is already available locally. Unlike conventional money, a negative balance in LETS is not an issue but rather an indication of community activity. Some networks set debt limits to avoid abuses of the system, but generally there is a common understanding that debts will be repaid. LETS enable people to use skills they might not have otherwise considered valuable, such as teaching, driving, painting, or gardening, and makes services accessible to members who may not otherwise have been able to afford them with conventional money.

There are hundreds of LETS networks now operating around the world, and hundreds more continue to be formed every year. One particular type of a LETS is *Time Banking*, devised in the 1980s by American attorney Edgar Cahn. This cooperative currency uses time (hours) as the unit of account, which is earned and can be spent on various services available within a given community. Time Banks have been established in over 34 countries, with at least 300 networks in the USA and 300 throughout the UK.[6] They have proven to result in increased social cohesion within communities, stronger local economies, as well as have led to remarkable improvements in developing countries, such as in the case described below.

GRADES Time Bank, Senegal

In 1995, with the vision of empowering women in his impoverished village of Kaolack, Pape Samb founded *GRADES* to provide skills training and basic education to enable undereducated women and girls to become more economically autonomous.[7] When the organization first started, only some 55 women enrolled in the training courses, as household duties curtailed participation.[8] This low participation rate did not substantially change until 2005 when a time banking system was introduced and women could provide childcare services, teach or work at the GRADES center, or offer other community services to earn time credits, which she could exchange for other needed services for herself and her family. This allowed the women to free up time for one another to attend classes and trainings.

As hours of free time became an opportunity to earn time credits, economic activity increased and free time was used more productively to generate resources for families or developing oneself rather than sitting around idle. The activities that are based on time exchange have also enhanced community ties and significantly increased women empowerment in Kaolack. As of 2010, nearly 50,000 individuals had completed health and HIVAIDS awareness training, or received business skills. Monthly income of villagers also increased from $20 to $100–$200 per month.[9]

Fureai Kippu, Japan

Another successful and more well-known LETS is the *Fureai Kippu* in Japan, which was developed in 1994 to address the shortage of elderly care services for the country's ageing population. In this LETS, middle-aged individuals can earn care credits by providing services like preparing food or accompanying other seniors to appointments and accumulate the credits for when they will need them as they age. Young people can also earn care credits by taking care of seniors in their local area and transfer their credits to their parents or other family members who may live in another part of the country. This elderly care system allows seniors to remain at home and has reduced demand for retirement institutions and hospital care.[10] It has been replicated in China and has the potential to be implemented in other parts of the world where the ageing population is growing as baby boomers hit their golden years.

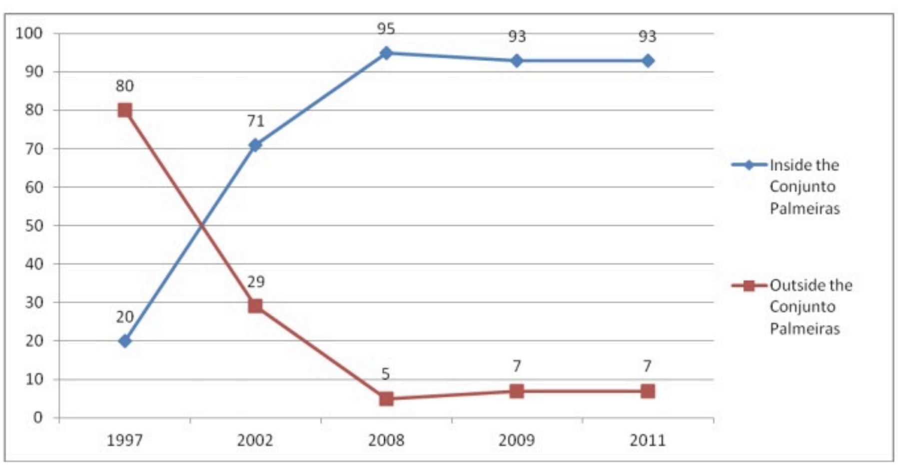
Aside from mutual credit and time-based currencies, there are other types of complementary currencies in the form of printed notes or electronic format, which have been specifically designed to improve social and economic conditions of a community and used as tools for sustainable local and regional development. Some well-established currencies include the *WIR* in Switzerland, a currency which serves 62,000 small and medium-sized businesses and retail customers to enhance regional economies;[11] the *Chiemgauer* in Germany, which has greatly stimulated local economic activity; and the *Palma Currency* in Brazil, further detailed below.

Palma Currency, Brazil

One of the most remarkable community transformations fuelled by the development of a complementary currency is that of the Conjuntos Palmeira neighbourhood in Brazil. Haphazardly built for relocated fishermen and their families in the 1970s, Conjunto Palmeira was once devoid of basic essential services like health facilities and shops. The neighbourhood's 32,000 inhabitants had no stable sources of income and most lived in poverty.[12] In 1981, the residents created an association (ASMOCONP) in attempt to improve their situation. The organization's research on consumption patterns of the local population found that approximately 1.3 million Brazilian Reals ($662,570) circulated within the community at that time.[13] While not exuberant, this amount was also not insignificant. The problem they found was that 80 percent of that money was spent outside Conjunto Palmeira. In 1998, ASMONCONP created Banco Palmas, a community development bank operating under the principles of a solidarity economy to improve the local economy.

The two initial programs of Banco Palmas to stimulate the economy included the development of a social complementary currency, the Palma, in 2000 and provision of micro-credit loans to local producers and consumers. Pegged one-to-one with the Brazilian Real, Palmas are issued by the Banco Palma and can only be circulated within the neighbourhood. As an incentive to use Palmas, most of the 240 plus businesses that accept the local currency offer discounts of between 2 and 15 percent to people using it.[14] This led to a drastic change in consumption habits, which saw money diverted back into the neighbourhood.

Figure 1: **Where Conjunto Palmeiras Inhabitants Make Their Purchases**



Source: Melo, J. (2011) "Banco Palmas ou les richesses d'une favela." *Projet* 5(324), 114-117.

The creation of the Palma currency along with the micro-credit loan program has made tremendous positive impacts in Conjunto Palmeiras. With significantly more spending within the local economy, over 1200 jobs have been created for the community's inhabitants, along with several small-scale local manufacturing businesses.[15] Social services and the overall wellbeing of the population significantly improved and the community also gained a sense of solidarity and pride with the Palma currency as their symbol. Banco Palmas' success has sparked the creation of similar dual currency banking systems presently operational in approximately 66 communities around Brazil with the full support of the Brazilian government and Central Bank.[16]

Concluding Remarks

The complementary currencies discussed in this paper are but a few examples that illustrate the impact that these new and growing mediums of exchange have had and can have in the world. Innovative LETS and currencies like the Palma are being replicated and are transforming communities and local economies in both industrialized and developing nations. While many of the currencies are still underreported and their capabilities not yet known to many leaders and civil society around the world, as existing networks continue expanding and creative new currencies are engineered, they will likely become more widely used to address an array of societal issues, from stimulating local economic activity to providing care for ageing populations to empowering women. Further research associating monetary diversity with resilience of regional economies to financial crises may also incite economists and leaders to develop larger-scale networks of new currencies to be circulated in tandem with conventional money to promote regional economic durability. Complementary currencies are spreading quickly to all corners of the globe and while they are still generally small-scale or limited to local and regional networks, they are rapidly increasing in quantity and size and will likely become one of the next BIG things used by leaders worldwide to foster sustainable social and economic development.

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[15] Lietaer, B. and Dunne, J. (2013)
[16] Ibid.