RURAL 3 (2009): 177-191

Regional Currencies – An Instrument for Sustainable and Integrated Rural Development in a Globalized World?

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Abstract

In rural areas in Europe, more and more so-called "regional currencies" complement the Euro or national currencies. In Germany too, the number of regional currency initiatives that have already implemented regional currencies or plan to do so has increased considerably in the last few years. While in March 2006, 19 regional currencies had been put into circulation in German regions, by October 2007 their number had increased to 34.

In most cases, regional currencies are protected by a negative interest in order to speed up the circulation of the money and to increase the business volume of regional companies. The fees for circulation and for the re-exchange into the usual currency (e. g. the Euro) are utilized to cover administrative costs and support regional non-profit projects.

Regional currency initiatives see themselves as an alternative to the global economic system, which they consider as the main cause of many current social problems such as unemployment and social inequalities. They wish to stimulate regional economic cycles, to strengthen regional identity and social cohesion as well as to safeguard jobs.

Yet, can regional currencies really be instrumental in contributing to the development of rural areas in the context of globalization? This paper wants to briefly look into this question, based on information about regional currencies in Germany collected in three surveys from 2006 to 2008.

1 Introduction

The world-wide financial crisis was talked of every day in the media in the second half of 2008. The collapse of the global financial system was feared by many people. However, in parallel to this world-wide financial system - which most people do not identify with, but whose risks they are exposed to - more and more independent alternative systems have started to appear. These include a new trend that can be found in many, often rural, areas of Europe, as different new types of alternative currency systems are established. So-called "regional currencies" complement the national currencies or the Euro.

Alternative currency systems "are economic geographies designed to conform to social and material norms which are morally acceptable to their administrators and participants in the attempt to bring about what are considered to be "progressive" social and economic change" (LEE et al. 2004: 596). Different types of alternative currency systems are, for example, time dollars, LETS (Local Exchange Trading Systems), regional currencies or barters. In 1999, LIETAER (1999: 51) had already identified more than 1900 complementary currency systems world-wide. At that time no regional currencies existed in Germany, but an alternative system was in existence called *Tauschringe*, i.e. groups of people who exchange goods and services without using money. Regional currencies started to appear in Germany in 2001.

GELLERI (2005) identifies a spectrum along which the different basic types of alternative currencies can be ranged. The spectrum is based on a number of opposing notions: for instance, global vs. local; commercially vs. socially orientated; centralized money creation vs. decentralized money creation; material vs. immaterial coverage; closed vs. open monetary system; electronic vs. voucher system; closed club vs. open members association. These opposing notions illustrate very well the diametrically opposite concepts of the currencies embedded in the world-wide financial system and the regional currencies based on a local to regional dimension, emphasizing social in addition to economic aspects.

This article examines regional currencies as one type of alternative currency in Germany and poses questions like: What are regional currencies? Where in Germany can regional currencies be found? What is the historical development of regional currency initiatives in Germany? What are the necessary conditions in order to implement a successful regional currency? But the main question is: Can regional currencies be an instrument to contribute to the development of rural areas in the context of globalization? This paper presents the results of surveys carried out in 2006 and 2007, as well as a small additional survey in 2008, on the situation of regional currencies in Germany.

2 Regional currencies – an introduction

Regional currencies are complementary currencies to the national currency or the Euro. They differ from these nation- or Europe-wide currencies by being only valid in one region. They cannot be used outside the predefined area. This monetary regionalization decouples the regional from the global economy. The purchasing power is kept inside the region, a regional market is developed and this causes a boom for regional products and services. These currency systems "are local circuits of consumption, production and multilateral exchange facilitated by the provision, distribution and use of an independent local currency" (LEYSHON 2004: 466). The regional or even local currency systems force the participants "to confront concepts of monetarization, value construction, appropriation and calculation and to work through their material consequences within the context of their locality and beyond" (LEYSHON 2004: 467).

2.1 Historical overview

Early types of regional currencies were already known in the Middle Ages, for example, the *Brakteaten*; then they re-appeared during the 1920s and 1930s. The so-called *Wära* was accepted in towns such as Erfurt and Schwanenkirchen in Germany. In Schwanenkirchen, the employees of a local lignite mine were paid partially in *Wära* in 1929; this was the biggest experiment with the *Wära*, which was officially prohibited in 1931.

Another notable experiment of the time was that of Wörgl in Austria, where in the 1930s a successful version of a local currency was implemented and worked for nearly one year. The mayor of the town of Wörgl, Michael Unterguggenberger, and the local council decided in 1932 to implement an emergency aid programme to increase the circulation of money in the town and at the same time enhance the purchasing power and decrease the high unemployment rate. The value of the vouchers, called *Arbeitsbestätigungsscheine*, which were used as a local currency, lost one percent of their value each month. To compensate for this depreciation, people had to buy scrips. The proceeds of this purchase were distributed to people in need. During the years 1932 and 1933 the municipality of Wörgl initiated several employment programmes, paying with the local currency. As a result, the local economy increased and the unemployment rate decreased. In 1933, the Austrian Central Bank prohibited these vouchers as they were in conflict with the sovereignty of the state in currency matters (cf. LIETAER 1999; SIKORA and HOFFMANN 2001: 131-134). SIKORA and HOFFMANN (2005: 82) argue that the example of Wörgl disproves the viewpoint of Silvio GESELL, the theoretical economist and founder of the *Freiwirtschaft* (free economy), who sees interest rates as the main problem of the capitalist financial system and is often quoted in relation to the theoretical framework of regional currencies. SIKORA and HOFFMANN (2005: 82), however, point out that unique problems (or times) require unique solutions.

After decades without any regional currencies in Germany, a new one represented by the *Roland* in Bremen was implemented in 2001.

2.2 Modern regional currency systems

Regional currencies can be characterized by two different sets of formalization, i.e. the currency system and the communication system.

As far as the currency aspect is concerned, most of the new regional currencies are *Schwundgeld* (depreciative currency). They are limited in time, so have a negative interest. This enhances the circulation of the regional currencies and therefore increases the volume of business in the region. Circulation fees from the negative interest and costs of redemption are used for grants for social non-profit projects inside the region and also to cover the administration costs of the regional currency projects (e.g. printing costs, marketing, sometimes also staff costs).

RÖSL (2006: 8f.) categorizes depreciative regional currencies in Germany into three groups:

- *Markengeld* (stamp scrip),
- *Tabellengeld* (table money), and
- *Ablaufgeld* (expiry money).

Markengeld typically loses 2-3 % of its value every three months. Their regular period of circulation is three months with an extension option for a total of one year. At this point, if not sooner, a further 5 % of the nominal value becomes due when exchanging back into euro. As a rule, the notes, like the adhesive stamps, are financed against the sale of euro to the issuing body which either keeps them in safe custody or invests them in an overnight money account bearing interest. *Tabellengeld* and *Ablaufgeld* also lose their value by special forms of depreciation. With table money, the value depletion is printed directly on the note, so the exact value of the note is defined for each day, month or quarter. No additional stamps must be bought. Unlike this constantly depreciating currency, expiry money has a fixed expiry date in combination with a charge for exchanging or redeeming the note after expiring.

All three versions of regional currencies aim to increase the regional economic added value by enhancing the circulation of the regional currency and by discouraging saving or keeping "money in the pocket", as unspent money loses value.

The second characteristic of regional currencies is the communication system. Cooperation and closer links between companies and customers improve the regional market as well as the social capital in the region. By finding new regional economic linkages and relations (e.g. between a farmer and a local restaurant) new contacts and new lines of communication are established. Thus the social aspect holds a very important position in regional currency systems. The initiatives which implement regional currencies are also a platform for communication between their members. Initiators can, for example, be student groups, business organizations, non-profit-organizations, local political elites or individuals or a combination of these.

2.3 Regional impact and regional development

Regional currency initiatives consider themselves as an alternative to the global economic system, which they think causes many current social problems like unemployment and social disparities. THORNE (1996) defines alternative currencies as an attempt at local re-embedding versus global dis-embedding, while LÖWER (2004: 29) describes them as "money of anti-globalizers" and FULLER/JONAS (2003: 56f) as "alternative-oppositional economic spaces ... with distinctive social values and ideals". However, BODE (2005: 8) argues that alternative currency initiatives did not intend to reach a complete de-coupling of the region from national and global markets, instead their intention was to secure the region so that negative globalizing processes did not affect the overall regional economic basis. RÖSL (2006: 12) contends that a "system of this kind, which ultimately aims at regional insulation – if it exists for any length of time at all –impedes cross-regional trade without which a region cannot go on developing".

The initiatives follow a bottom-up-approach to strengthen the regional economy. LEE et al. (2004: 597) suggest that these alternative local economic systems show that "economic geographies are created by and for the people who make their livings through them". NORTH (2005: 225) argues that "localized attempts at developing alternatives are better at generating connections of solidarity and a network that has some depth such that capitalist practices can be more effectively resisted".

The aims of regional currencies include:

- to initiate and stimulate regional economic cycles,
- to strengthen regional identity and social cohesion,
- to safeguard jobs,
- to link different partners,
- to prevent or to diminish the outflow of capital from the region,
- to support charitable projects, and
- to strengthen participation (cf. BODE 2004: 84).

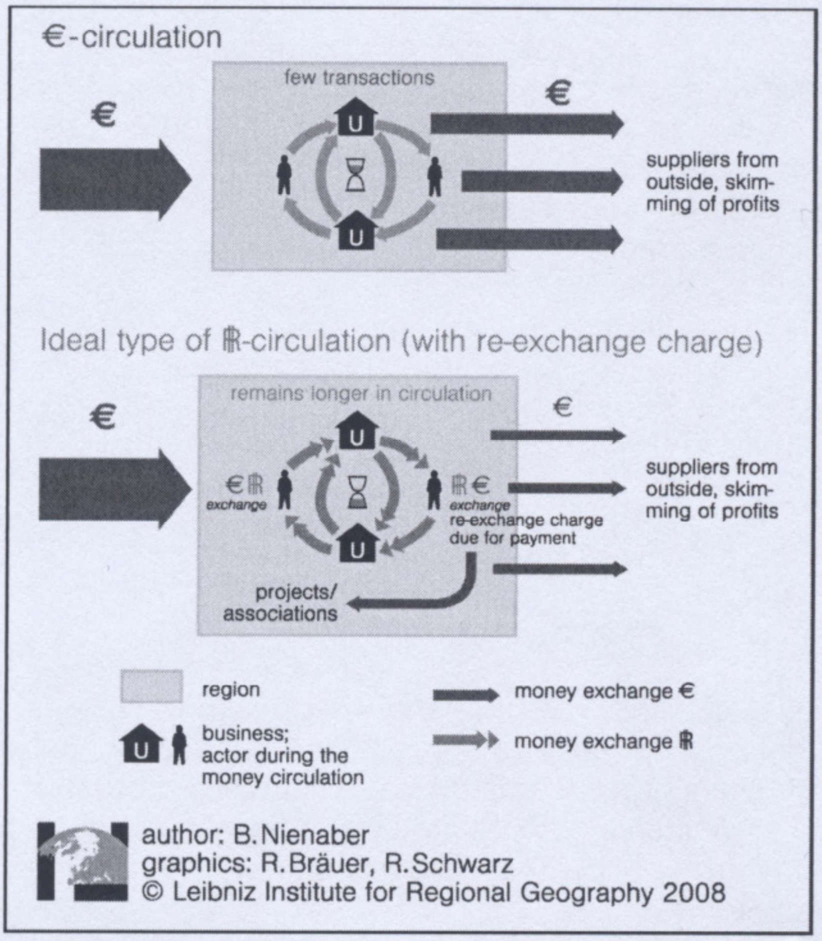
To implement a good regional currency system, the specific aims, visions and characteristics of the target group must be agreed upon in advance, but can be adjusted in case of changing circumstances. To attract potential members, the benefits for each individual willing to participate must be clear from an early stage. Moreover, the possible community supporting aspects should be made evident.

The first initiatives in Germany were mainly formed in peripheral rural areas where inhabitants felt disadvantaged in comparison with central urban areas, and started to identify ways of helping themselves, based on their own strengths (ibid.: 111; KENNEDY and LIETAER 2004: 95).

KENNEDY and LIETAER (2004: 214) recognize that regional currencies present a way out of the so-called "monetary regional vicious circle". Economic decline leads to out-migration, then to decreasing private purchasing power, to decreasing purchasing power of local municipalities, to a loss of attractiveness of the region, to deteriorating infrastructure and services, to limited local control, to hardly any greenfield development, to a lack of qualified labour and thus to even more economic decline.

Regional currencies are considered by several authors as an instrument of regional development and therefore as a means to break the vicious circle. BODE (2004: 126) calls them an "innovative instrument of business development" and an "additional instrument of endogenous regional development" (my translation). She also describes the approach as "a monetary development strategy relying on endogenous potential" (BODE 2005: 4; my translation). Moreover, they have been praised as a "new approach to regional development" (MUSIL 2005: 183; my translation).

Figure 1
Intended stimulation of a regional economic cycle by a regional currency (₨)



Source: translated from SPRENGER 2006

However, depreciative regional currency systems have been criticized for their impact on regional development. They are sometimes even viewed as a disadvantage for structurally weak regions. RÖSL (2006: 15) argues that regions issuing this type of regional currency are often characterized by a low unemployment rate "where the "luxury" of *Schwundgeld* is evidently more readily affordable than in structurally weaker areas of the country." He also maintains that the costs for a regional currency are inevitably high and so it can be "quite conceivable that such costs will be borne gladly by some people if only on account of the fun of having paid for once in local currency" (ibid.: 16). So he concludes that regional currencies with negative interest will not have an important impact at the macroeconomic scale. This calls into question the success of regional currencies in terms of sustainable rural development.

3 Methods

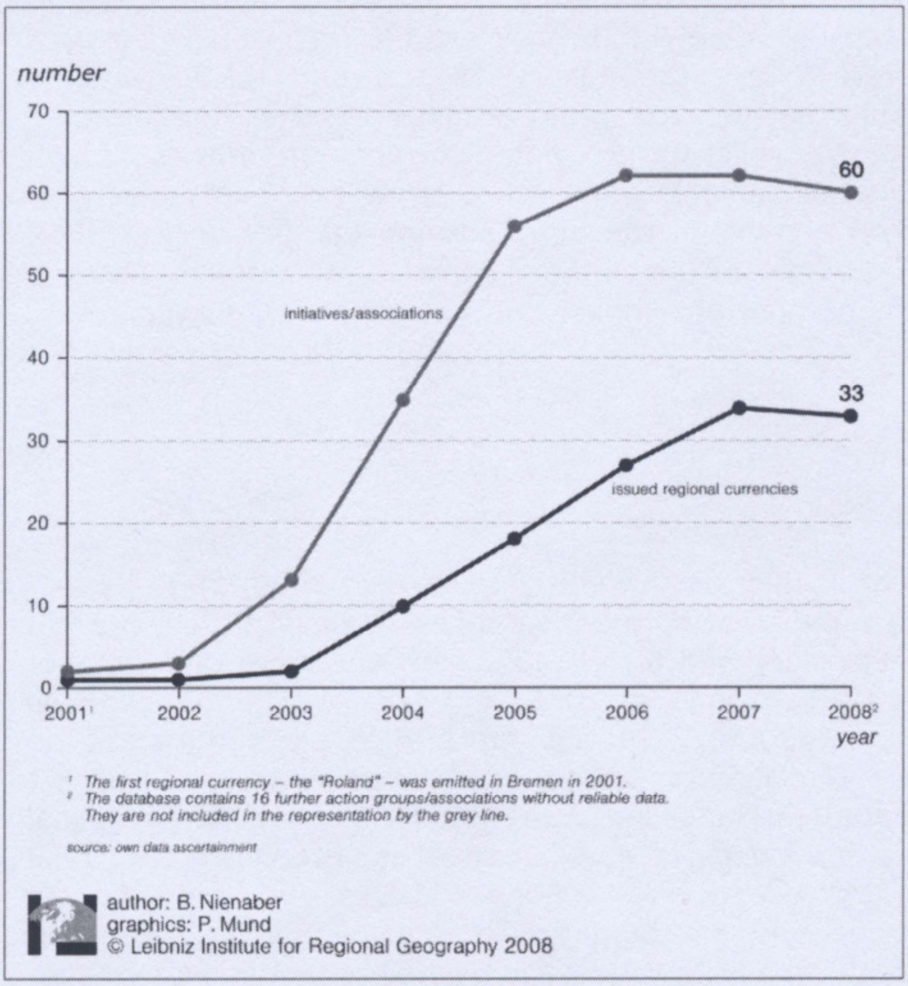
The surveys presented in this paper were conducted in 2006, 2007 as well as 2008, and used a number of different methods. First of all, an internet search was done in February and March 2006, in September and October 2007 – with a short up-date in April 2008 – in order to identify regional currency initiatives in Germany. To get more detailed information on regional currencies in Germany, telephone and email interviews with 61 regional currency initiatives and in-depth interviews with ten regional currency initiatives were carried out in 2006. The interviewed regional currency initiatives were very diverse. Some had existed for a long time as non-profit organizations and had added the regional currency to their profile, while others had explicitly been established with the intention to issue a regional currency. Some initiatives already had vouchers in circulation; others were just beginning to define their area and the way the regional currency was to be introduced.

Altogether 61 regional currency initiatives were analysed in 2006 and 75 in 2007. Of the latter, 58 had already been examined in 2006 while 17 were completely new. Three initiatives had dissolved or united with another initiative between 2006 and 2007.

4 Regional currencies in Germany – results from surveys

Regional currency initiatives have spread widely across Germany since the beginning of the *Roland* in Bremen in 2001. In March 2006, 19 regional currencies were issued in German regions, this increased to 33 by October 2007. In 2007, a further 40 initiatives were planning to issue a regional currency for their region. However, this development has somewhat slowed down as can be seen in Figure 2.

Figure 2
Initiatives and issues of regional currencies 2001 to 2008



Source: translated from NIENABER 2008

As the starting date of the initiatives was unknown to some of the interviewees, these figures consider only those initiatives where the interviewee was able and willing to communicate a date. The spread of regional currency initiatives and of regional currencies which are already in circulation has not been as fast as anticipated by members of the regional currency initiatives interviewed in 2006. At the time, 25 initiatives planned to issue their regional currency the following year. In 2007, however, only 14 more regional currencies existed than in the year before. So many initiatives had remained behind schedule in issuing a regional currency.

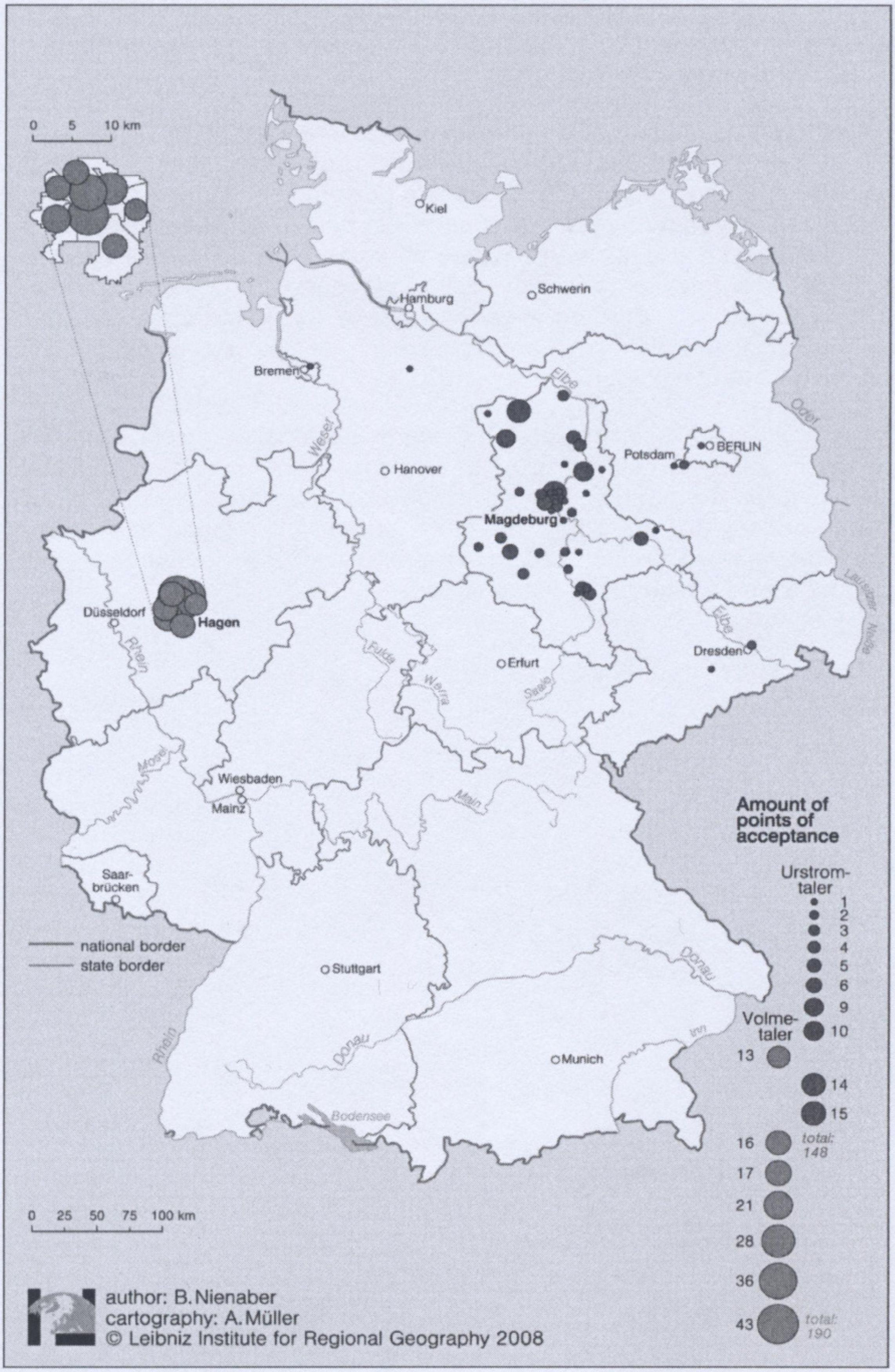
Regional currencies in Germany are very heterogeneous. The size of the area covered by a regional currency in terms of points of acceptance can vary from one municipality to one or more Federal States (*Bundesländer*) (cf. Figure 3). The regional currency initiatives have been launched by a variety of groups, including non-profit-organizations, students' projects, business associations, former LETS groups, business development agencies, municipal councils, local savings banks and/or individuals. In all cases the organization which realizes the project has to be trustworthy.

Often the name of the regional currency is an indication of the regional identity that it aims to strengthen – *Berliner* (Berlin), *Chiemgauer* (Chiemgau, a region in South-eastern Bavaria) – or it is a combination between the name of a region and a currency e.g. *Volmetaler* (River Volme + taler, a former German silver coin) or a word-play on counterfeit money e.g. *Havelblüte* (River Havel + dud).

Figure 4 shows the distribution of regional currencies in Germany as assessed by the 2008 survey: 26 regional currencies had a local to regional However, the map also shows that there are parts of Germany with clearly fewer regional currency initiatives than elsewhere (cf. NIENABER 2008; SPRENGER 2006). In Mecklenburg-Western Pomerania in North-Eastern Germany for example, only one regional currency initiative had been formed, which was still at a very early stage of formulating its concept. Moreover, North-Eastern Bavaria and large parts of Lower Saxony had no regional currency in circulation or planning.

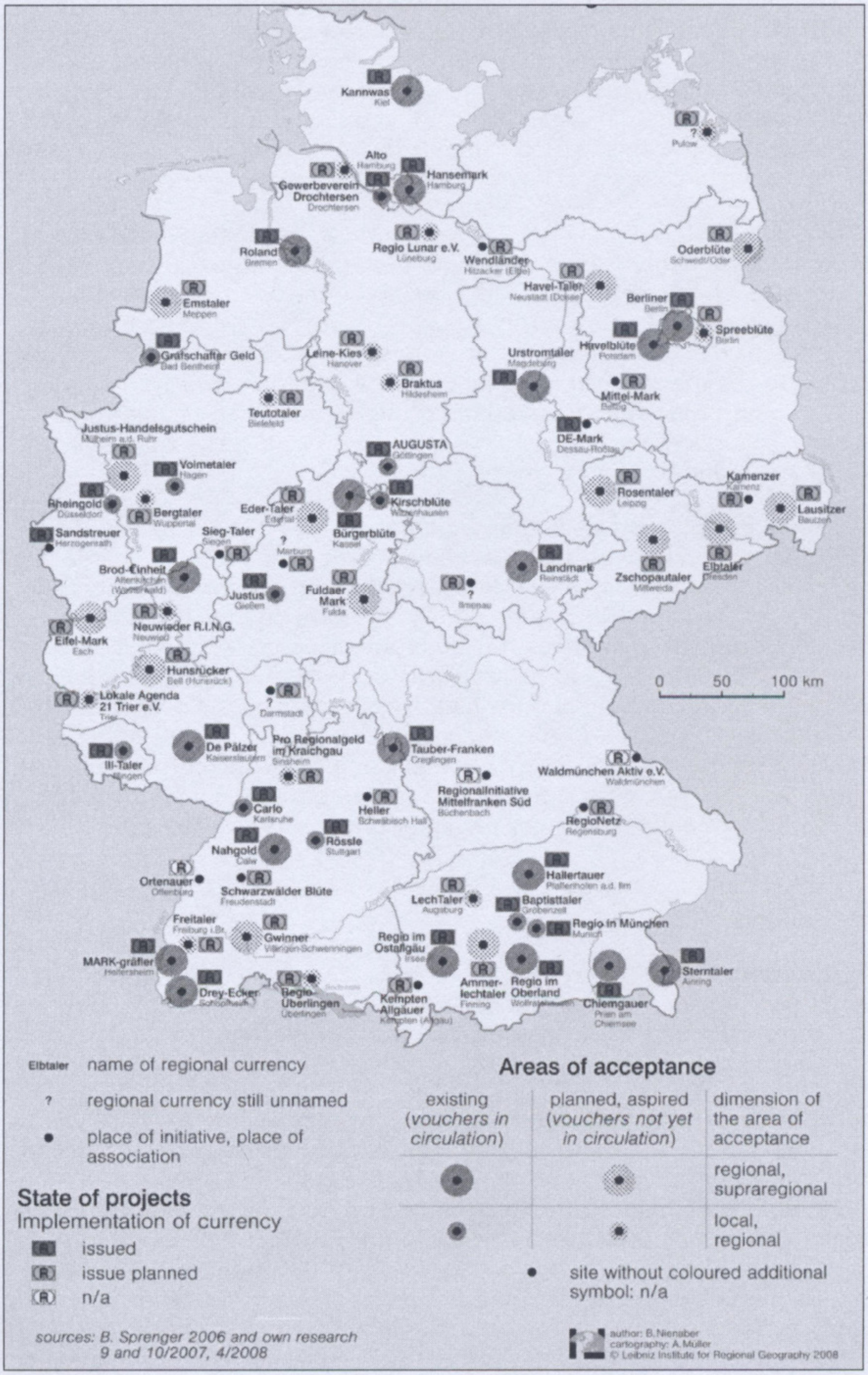
There is no clear correlation between regional currencies and unemployment rates or the gross value added: There are some regional currencies in East German regions with high unemployment rates and low gross value added, but currently, the most successful regional currencies (e.g. the *Chiemgauer*) are located in structurally strong regions with low unemployment and a high gross value added.

Figure 3
Points of acceptance of the *Volmetaler* and the *Urstromtaler* (as of March 2006, according to five-digit postcodes)



Source: translated from SPRENGER 2006

Figure 4
Regional currencies in Germany, 2008



Source: translated from NIENABER 2008

The interviews made it clear that regional currency agencies regulate regional currency systems differently, i.e. there are different guidelines for who can become a member and who can use the currency: In some regions every individual who wants to use a regional currency must be a member of the local regional currency initiative. In other regions only companies can become members, but customers can pay member companies with the regional currency. In still other regional initiatives, customers too can become members but this is not compulsory. And finally, in some cases both individuals and companies have to join the regional currency initiative.

The case when customers cannot be members of the initiative has to be viewed in a critical light. This membership system has an exclusive instead of an inclusive character, as people who are already at the margins of society are not easily integrated into such a system. The barrier is quite high which makes it more difficult for socially deprived persons to participate. In the meetings of regional currency initiatives which the author attended, a high proportion of academic or highly educated people took an active part. This confirms the statement of RÖSL (2006: 15) that regional currencies are a kind of "luxury" money.

After an initial boom, a phase of consolidation can now be recognized. Some regional currency initiatives have already merged or plan to merge to enlarge their areas and thereby increase the variety of products and services offered (e.g. *MARK-gräfler* and *Drey-Ecker* in the Black Forest). Other regional currency initiatives have already disappeared (e.g. *R€GIO* in Weimar). All initiatives have to achieve a critical mass in order to survive, so that merging with neighbouring initiatives is one possible option. The different processes, i.e. the introduction of new regional currencies as well the consolidation and amalgamation of existing regional currencies, are continuing and not yet completed. However, whether regional currencies will survive in Germany for a longer period of time remains to be seen.

5 Conclusions

Regional currencies can play an important role in a sustainable and integrated rural/regional development strategy. Yet, to achieve the aims of regional currencies that were identified in the introduction, several social, economic and ecological problems must be solved.

One social problem is that in many groups the leading persons are "lone fighters", who cannot stimulate co-operation as they are not able to work in a team. This seems to be one of the main reasons why regional currency initiatives fail. Other reasons for failure are exclusive rather than inclusive structures; this means that deprived people find it difficult to get involved. Only a regional currency initiative that inspires communication between participants has a chance to integrate people and foster inclusion. Such an initiative can help to overcome the anonymity of contemporary society, strengthen social cohesion, and encourage a formerly weak regional identity. Moreover, money that is spent on charitable projects can help strengthen the regional community and in this way contribute towards a socially sustainable and integrated rural development.

An economic reason for a potential failure is that the system of regional currencies does not seem to work in structurally weak, non-diversified rural regions. So far, it can be said that, in order to implement a regional currency, a diversified economy is an advantage (cf. KENNEDY and LIETAER 2004: 95). If the economy in a region is not sufficiently diversified, parts of the economic cycle must take place outside the region, therefore there is an outflow of capital. Hence, a regional currency system is not always an economic incentive for an economically less developed region. But in regions with a diversified economy, this new regional financial system could contribute to an economically sustainable and integrated rural development by stimulating regional economic cycles, linking different partners and diminishing the outflow of capital from the region. However, it is still uncertain how many jobs could be saved or even created.

The environmental aspects cannot be evaluated on the basis of the research undertaken as they were not considered in the survey. They could be a focus of future research projects.

After discussing the problems and opportunities of regional currencies in general terms, the basic question of this paper needs to be answered: Can regional currencies be an instrument for a sustainable and integrated rural development in a globalized world? This survey has highlighted the following factors where regional currencies can have an impact on regional development:

- Regional currencies can have a high though indirect impact on regional development by strengthening regional identity in times of globalization.
- Regional currencies have a low or limited impact on the economy of certain regions as they work best in structurally affluent, well diversified regions where they can be seen as "luxury money". Moreover, the contribution to regional development is limited because of the practical problems of running alternative currency initiatives (for example "lone fighters" or exclusion of people).
- The ecological impact of regional currencies remains unknown as it was not analyzed in this study.

The development of regional currencies in Germany, and in other European countries, is a very dynamic process. So time will tell how regional currency initiatives will develop and whether they can be adopted in more remote regions as well.

Acknowledgements

I would like to thank the Leibniz-Institut für Länderkunde for providing cartographic support and a grant for the first survey, as well as Ms Annette Bickelmann and Ms Nicté Leinenbach for research assistance.

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