



## The Wealth of Local Currencies

Sophie Donzel

*Following up on [Smaïn Laacher's essay on Local Exchange Trading Systems \(LETS\)](#), Sophie Donzel, deputy mayor of Nanterre, extols the value of local currencies and calls for a new monetary ecology.*

Are you rich if you've got twice as many jobs as jobholders living in your district? If you've got ten million square feet of office space, including the headquarters of national and multinational corporations? If the companies located in your district turn over all told €29 billion? Well, no! Nanterre is in this presumably enviable situation. And yet 6,000 Nanterre residents are looking for work, and median declared income only comes to €15,700 p.a., way below the median figures for the surrounding *département* (€23,600), the region (€20,500) and even the nation (€17,500).

So it is that flourishing companies and low-income, even poor, populations can coexist in the same district. In view of this paradoxical situation, we need to rethink wealth and its local grounding in general. Nanterre, where global finance (Société Générale bank headquarters) rubs shoulders with the urban ghetto (the Tours Aillaud housing project 150 yards away), needs to rise above this state of paradox.

Wealth isn't what we think it is. The "Erika syndrome"<sup>1</sup>, as Patrick Viveret calls it, is a telltale illustration of how inadequate conventional yardsticks of wealth really are: an environmental disaster will boost GDP (because the beaches have to be cleaned up, which means paying for the people, equipment and so forth to do it) without any accounting ever being undertaken to assess its true cost (to the environment, biodiversity, health etc.). From the human development index (HDI) used by international organizations to the Bhutan's "gross domestic happiness", alternative indicators try to give a more accurate and holistic reflection of the full scope of human activity. They herald a new era, the age of assessment of the overall health of any given society. And what is the object of public policy if not to improve the well-being of the target community?

### A few European local currencies

But an accurate assessment isn't enough: effective policy tools are needed too. And indeed the new approaches to wealth have been rounded out by various experiments in the use of local currencies. Complementary currencies are not new to the global monetary system, nor are they particularly exotic. The WIR, for example, was created in Switzerland back in 1934 and has been in circulation ever since; the REGIO in Germany combines thirty different local currencies, including the *Chiemgauer*; and the latest one in France is the *Abeille* started up in Villeneuve-sur-Lot, to name just a few. All these complementary currencies circulate in parallel with official currencies, which they are not designed to supplant (except in the event of a major crisis). What they also have in

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<sup>1</sup> The Erika was an oil Tanker for the Total-Fina-Elf company. It broke apart and sunk by the Brittany in December 1999 creating a large oil spill over 400 km of shores.

common is that they promote the exchange function of money, as opposed to its capitalization, which is why they may prove a powerful tool for local development.

Looking specifically at currencies that are linked to the official currency – and not to providing services over time, such as LETS, “time share” systems and other forms of “time banking” –, we find they offer two key advantages. First off, their circulation rate: inasmuch as they are only exchanged within a delimited community, each value unit really circulates, and faster at that, fuelling further exchange and thereby generating more wealth. Secondly, how these currencies are set up: the mechanisms are extremely diverse, admitting of a great deal of creativity in achieving their priorities. For example, one community might prioritize straight conversion, as in the German region of *Chiemgau*: you change euros into *Chiemgauer* because you know that’s a way of supporting the regional economy and local associations (thanks to the principle of negative interest rates in the latter’s favor). Another community might seek to promote ethical shopping: shopping at any of various organic/ethical establishments will be credited to my account in complementary currency units, which I can use for my next purchase (in France this is one aspect of SOL, a system put in place by stakeholders in the social and solidarity-gearred economy).

And then there are those that issue credit. This is the issuing method closest to that of official currencies, though it is not a minting plate at the central bank controlling the quantity of euros in circulation, it’s you and I (and the company next door) when we contract a credit. Using this method to create a currency gives even remote stakeholders access to the currency and promotes economic activities such as investment. In this way, local economic activity is fuelled by a surplus of monetary assets, which has a concretely observable multiplier effect. This is the case of the Swiss WIR, which makes use of inter-company credits. It also partly applies to the *palmas* of the Banco Palmas in Fortaleza, Brazil (started up in 1998), which issues micro-credit to producers (of all kinds) in reals (provided they then accept payment in *palmas*) as well as micro consumer credits in *palmas*, thus stimulating both supply and demand in the local economic process. This system has enabled local companies to form and develop in erstwhile slums and to provide what is now a significant segment of the population with a steady source of income. 1200 jobs have been created thanks to Palmas.

### **Complementary currency: a prospect for Nanterre**

Suchlike approaches would not be out of place in France either. Nanterre is actually contemplating starting up a local currency to promote the truly local economic fabric by encouraging residents and the 95,000 people who work there to shop at local businesses. That could boost local subcontracting, too, and thereby improve the quality and durability of local social cohesion. For example, issuing credit to companies in a local currency that can only be used at small and medium-sized Nanterre-based businesses (i.e. with over 20 staff, but not corporate subsidiaries) would definitely have synergistic and knock-on effects on the local economy. It is these burgeoning – and occasionally innovative – small and medium-sized companies that not only account for the bulk of local job creation but are also best adapted to the diversity of skills in Nanterre’s workforce.

While complementary currencies represent a promising local prospect, they are also a means of safeguarding the global economy. As Bernard Lietaer maintains<sup>2</sup>, the more pluralized and interconnected any given system is, the more resilient it will be. A multicellular organism will be more resilient than a monocellular one, the Alpine forest more than the pinewoods in the Landes, and a monetary system using both official and complementary currencies will be more resilient than one based on a single solitary currency.

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2 Lietaer, Bernard, and Kennedy, Margrit. 2008. [\*Monnaies régionales : de nouvelles voies vers une prospérité durable\*](#), Paris: Éditions Charles Léopold Mayer.

Nanterre is next door to La Défense, a business district that epitomizes a model based on finance, real estate business and almost entirely on the tertiary sector. It makes even more sense in Nanterre than elsewhere to support a different model, one that is *complementary* rather than *alternative*. On this head, in my capacity as deputy mayor in charge of economic development, I would make the case for a form of monetary ecology, using various currencies to produce various economic effects. And while we're at it, we might well challenge the dogma of quantitativist monetarism, both in the economic literature and in policymaking, so as to pave the way for a democratic reappropriation of currency. Complementary currencies would satisfy needs that official currencies fail to meet: the need to promote exchange, above all, and improve the wellbeing of the local community, including all those who live, work, study or trade in a given area.

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