LOCAL EXCHANGE TRADE SYSTEMS
IN THE CENTRAL EUROPEAN POST COMMUNIST COUNTRIES
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ABSTRACT

This paper gives information about Local Exchange Trade Systems in the region of former Czechoslovakia, Poland and Hungary. The transition to a market economy proceeded in different ways in these countries, but similar histories in the last century (communism under Soviet influence) led the countries to only small differences in the level of motivation and power of their civil societies – subsequently, in the vitality of LETS circles. In the Czech Republic, the first LETS circle was established in 1999; however, now out of its three circles, none is at present active. Similarly, in the Slovak Republic, of 10 to 15 LETS circles formed between 2000 and 2005, only one works at the present time. LETS in Poland developed in the early 90’s but soon declined even as a few groups are still active today. LETS in Hungary was very passive, but there have been new signs and initiatives since 2004. The possible reasons for such LETS developments in so-called Visegrad countries are also discussed in this paper.

INTRODUCTION

From a socio-economic point of view, three facts appear very important: an experience of a democracy or existence of a civil society, the indebtedness of a country’s citizens, and the income inequality between the richest and the poorest within national borders. All countries studied in the paper are post-communist with emerging civil societies, possessing shorter, novel experiences with capitalism.

Kučera (2010) notes the number of individuals in the registry of debtors in the Czech Republic (CZ) rose by 16 percent to almost 868,000 in 2009. The organization SOLUS counts people who now have, or in the past three years, have had, problems with their repayment obligations. Under SOLUS (2010), which keeps track of borrowers in the CZ, the number of unpaid liabilities increased from December 31, 2009 to September 30, 2010 by 12 percent to 1.7 million (out of 10 million inhabitants). The amount of debt for the period approached 30 billion Czech Crowns (CZK), and the number of individuals, to 931,623. From the CZ’s adult population of nine million, already one out of every ten citizens has an entry in the registry. The situation is currently familiar in all Visegrad countries. In Hungary, the problem was and is much worse, due the prevalence of lending from foreign currencies. People take out loans but
cannot pay them back. Concomitantly, they are deeply tied (especially in Hungary) to the emerging global market-economy, from which they put forward all their efforts to increase their earning of mainstream money. Consequently, they retain few resources to help each other.

On the other hand, Visegrad countries are a part of a region where the smallest gap exists between richer and poorer people. According to the ratio of the UNDP (2008), statistics of income or expenditure shares of the richest group to that of the poorest (10% richest to 10% poorest) demonstrate the Czech Republic is the second-most equal country (UN R/P = 5.2) after Japan (UN R/P = 4.5). Other Visegrad countries also brandish high income equality. See, for example, their respective GINI indexes. This is likely an important reason why Local Exchange Trade Systems are not widespread in this part of Europe.

In Hungary, the antecedents that underlie the same symptom of income equality are slightly different. There, there are fairly large geographical differences. This means, although the poorest citizens live closely together in the suburban, northeast and southwest regions, they do not possess moveable, changeable resource reserves. Their equality is the equality of poverty. Hungary is still paying off the social cost of its transition into democracy. It is a telling sign that, in Hungarian political and economical language, the expression for transition doesn’t exist; instead, talk revolves around system and regime change. (G.Fodor -Kern, 2009)

GOALS AND METHODS

The goal of this paper is to present current information about the local economic exchange systems (LETS) of Central Europe. It summarizes all available information concerning LETS in Central Europe, i.e., in the Czech Republic, Slovakia, Poland, and Hungary. This region is part of the former Soviet bloc, and they became EU members at the same time (in 2004), so the group is a subset of the EU’s New Member States (NMSs). The present work focuses on LETS after 1989’s transition. In addition, a possible reason for the failure of LETS development in these countries is considered.

Its authors collected information in the literature but also from the Internet and by interviewing the active promoters of LETS in each country.

HISTORY OF UNOFFICIAL ECONOMY IN CENTRAL EUROPEAN POST-COMMUNIST COUNTRIES

Alternative economics is not a recent invention. Historically, a multitude of local currencies was the rule rather than the exception. But diversity was caused by large numbers of local governments that wanted to have their own currencies due to the possibilities of currency promulgation, expansion.

Other historical reasons for obtaining individual currencies arose during crisis situations, e.g., during the First World War (Reichel, 2007). Żwawa (2008) cites an example from Poland, where the priest of Kochłowice in Silesia issued a local currency. Other local currencies were issued in the church dioceses of Głogów, with corresponding images of local churches of Tychy, Tarnowski Gory, and Mikołów. Further examples from Poland are known from between 1918 and 1938 (Żwawa, 2008). Cases of an unofficial economy in Czechoslovakia can be ob-
tained in Johanisova (2008), who undertook an historical excursion into the lesser-known aspects of pre-war Czechoslovakian cooperatives. As Zagata (2004) has shown, from LETS developments in neighbouring countries (Austria, Poland, Germany), one cannot rule out the possibility the currency systems based on mutual aid emerged in the former Czechoslovakia between the wars.

Economies of real socialism (1945 in Poland; 1947 in Hungary; and 1948 in Czechoslovakia) were based on other conditions than were those of capitalist countries, so development was quite different in Europe. Unequal conditions and impulses were precipitated, whereas within Western countries there was a sizable expansion of local currencies as well as the LETS themselves. In Soviet-bloc countries, such alternatives had not emerged. This changed after 1989, when conditions in the ex-socialist nations came closer to conditions in other parts of Europe and the world.

Zagata (2004) asked whether the formalized systems of local currencies would work also in a society with a communist experience, for the first experiments occurred merely with complementary currencies in the era of the Great Depression of Europe and North America. As mentioned, the Visegrad countries form a region where the smallest gap exists between rich and poor citizenry, even now after 20 years of changes since 1989.

**LETS in Czech Republic**

Three distinctive LETS circles operated in the Czech Republic during the late 90’s, and into the beginning of the millennium. All respective initiatives had related activities whose interests were environmental in nature and scope. The idea of the “Complementary Currency” was more or less additional to their main objective (Zagata, 2004).

Czech LETS, being smaller in scale, had not built up an inclusive alternative as to how to satisfy everyday needs in an environmentally friendly fashion. A large amount of traded goods and services was related to the eco-friendly lifestyle. This can be seen as a consequence of the prevailing way of life of community members. Czech LETS attempts represent examples of “green luxury” (coined by Librová, 2003). An important motive for participation in Czech LETS is not economic but social, despite the fact that it is very hard to portray such alternatives in guidebooks that describe the benefits of LETS (Zagata, 2005).

The LETS of Agency GAIA in Prague was founded in 1999 as part of the GAIA Environmental Agency. In October, 2001 it had more than 100 members, of which 20 to 30 were active. LETS issued its own currency, called „chechtáky“(„smiling money“). There existed the restriction of account balances, so there remained a limited amount of 600 „chechtaky“ for older members and 400 „chechtaky“ for newer members, until members paid their contributions to the community. In cases exceeding the allowable limit of the negative, members had to make it clear why the threshold was crossed; as well, how, and at what time, accounts would be balanced (Foltýnová, 2004). The system completed activities several years ago.

Another LETS circle operated in the Czech city of České Budějovice. It was created in February, 2000 and by 2004 had more than 50 members. Its currency, the „acorn“, was equivalently bound to the Czech koruna — i.e., one „acorn“ was equal to one koruna. The system had a program for recording transactions. A three-year trade turnover produced a system of about
150,000 „acorns“(Foltýnová, 2004). All activity has currently ceased.

The last (now defunct) Czech circle, LETS in Brno, was developed by NGO Rozmarýnek. This was the only locale where personal collective meetings took place. As Zagata (2005) has stated: “This LETS was also the most closed of all, because only the kith of current members could join the group”. It was founded in 1999 and, at its maximum, had about 40 members. In 2006, all activity halted. The currency issued, the „letničky“(„little year money“ or „little LETS“), was equal to one minute of work, so one „letnička“ was equivalent to one CZK. Balances employed no legal limits.

As Zagata (2005) stated: “All the groups possessed formal rules dealing with rights and duties of constituent members. At the same time, there were no observed cases of actions that would violate any rules of a particular community. None of the groups formally included in its rules a norm regulating the maximum level of member debt. All the communities kept a 1:1 parity with the official currency.”

By 2010 a new exchange system had begun with 20 people in the small Moravian town of Litomysl. Yet even there, lively trading between parties does not exist.

**LETS IN SLOVAK REPUBLIC**

According to Zelník (Jelinek, 2010), there were 10-15 LETS in the Slovak Republic between 2000-2005, but most are now no longer active. Similarly to in the Czech Republic, most of these representatives were linked with the activities of environmental groups. As in the case of the CZ, the “Complementary Currency” systems appear marginal (Zagata, 2004).

The most popular of LETS systems were in the capital of Bratislava and were called “Svojopomoc” (or self-help); these consisted of about 50 people of different ages and interests. Another closed LETS circle ensued in the community of Zaježová, near Zvolen. Its local monetary system was an example of LETS, which was part of the community’s living alternatively. The community continues to organize trips for children and adults, offering a certain kind of environmental education. The local system commonly offered services such as plowing, cutting, preparation of wood for winter, construction work and babysitting, as well as building brick stoves, the production of artistic furniture, toys, and knitted items (bags and dolls). It also yielded organic produce, especially herbs and dried fruits and vegetables. The system ended several years ago, as did all LETS in Bratislava.

The latest LETS initiatives in Slovakia started in 2010 in the capital Bratislava and are connected to the Internet page, www.lets.sk, where 22 participants have been registered (LETS portal, 2010). But there have been almost no exchanges among participants. New activities of the Time Bank emerged in Bratislava in 2010, but the exchange is still in its earliest beginnings. The only, longer run of LETS in Slovakia is at the family farm and mill of Mašekov, where a large family and its various friends have exchanged goods and work from early in the beginning of the millennium (Jelinek, 2010).

**LETS IN POLAND**

The situation in Poland has been described by Žwawa in *Ekonomia Społeczna Teksty* (2008). LETS there started in the 90’s with articles by Reichel about LETS – in the magazine, “Ze-
lené brigády” (Green Brigades), and later in his book about local currencies (Reichel, 1997). After 2000, new and more successful attempts at starting LETS began in Kraków, Poznań, Wałbrzych and Łódź. Other LETS circles were formed in Warsaw, Wrocław, Gdańsk, Białystok. All fell into disuse, as did the most advanced of the group, those in Kraków and Poznań.

Chmiel (2008) prepared a special map of the Time Banks in Poland in 2008, where 24 Time Banks are listed. Few, if any, are still in operation, as the present authors tried Web links, and the Web pages usually did not work or showed different information for the city or region. Services exchanged in the Polish banks was diverse: from baking cakes, learning languages (including Braille), and playing instruments (e.g., clarinet), through credit counselling and assistance in the writing of documents, car repair, childcare, all the way to facial massage and games of Canasta. Valuable services were also offered related to computer science.

Another new generation of LETS was inaugurated in Poland, with the domain, http://lets.pl/. Its idea has been to coordinate all the LETS activities in Poland. The only current LETS group in Poland is one in the region of Silesia and Zagłębie (more at www.bz.lets.net.)

In September, 2009, the Board of Revenue issued an interpretation at Katowice stating that free help is considered income and must have taxes paid around it (Wojtasik, 2009). As a result of the Time Banks’ management and queries to the board as to whether services provided in connection with activities should be taxed, the chamber spokesman explained they should not. In the case of other services, neither party receives any income; so no tax obligation arises, unless there is a large discrepancy in the value of such services.

**LETS IN HUNGARY**

1. Social and theoretical aspects of the local mutual-aid circles

When Peter North undertook his latest research in Hungary in 2003 and published his work (North, 2007), he mentioned only six LETS circles; of these only two had existed in 2003: in Talentum and KÖR. By 2004, new signs and initiatives had emerged. One was the increased number of active LETS circles in the country. As of today, 13 different circles have their own individual Web sites (listed in Appendix 3). Besides these, others exist without a Web presence.

North postulated the following barriers to the creation of LETS circles: (1) lack of credibility; (2) inability to understand the use of mutual-aid networks; (3) the needs of members not being fully met by a circle’s services and initiatives; (4) distrust toward all new groups; and last but not least (5) difficulty in overcoming the problems of everyday life.

The above-mentioned reasons have not dissipated, and moreover, difficulties in overcoming the problems of everyday life have increased. Living standards for the average Hungarian have greatly decreased (Hoós-Lóránt-Morva, 2001 and Kovács, 2010). We should mention the spread of the so-called Complementary Currency concept in Hungarian literature and corresponding theoretical developments. Substantial books (Gesell, 2004 and Síklaky, 2003) were published on the subject. A related article was made public on the home page of the Hungarian Financial Supervisory Authority (Kun, 2006). Lectures and conferences attracted many; there now exist two¹ Hungarian Complementary Currency homepages similar to

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¹
However, two important sources of information were notably absent from Hungarian intellectual discourse: (1) Douthwaite’s (1996) *Short Circuit*, which was never translated into Hungarian, making it accessible only to English readers; and (2) a far earlier Hungarian text, *Money*, by Fischer-Szász (1935), circulated right after the Great Depression in Budapest. The latter discussed the “Wörgler Notgeld”, introduced by Major Michael Unterguggenberger, and the “Europa”, suggested by Joseph Archer and Philibert Besson. The work of Fischer-Szász was in a limited, private edition and did not have much influence.

2. The first wave of Hungarian LETS circles

The above-mentioned LETS in Talentum and KÖR belong to the first wave of LETS circles in Hungary. These were inspired and ideologically supported from abroad, which is unique within post-communist countries. An Austrian non-government organization (NGO), called HIFA, promoted the Talentum group, in 1994. Four years later, in 1998, the British Council financed a team of twelve to study the best LETS practises in the United Kingdom. This initiative developed five individual pilot projects in Hungary, of which only KÖR is still in operation.

Features of the first wave-LETS movement in Hungary are more or less similar to the LETS in other Visegrad countries (Zagata 2004, 2005). Representatives of the first-wave LETS movements such as Talentum and KÖR kept their memberships, although presently there are many inactive members.

Talentum (total headcount having increased slowly to 226 members) currently meets every second month at a club meeting, where part of the transactions are made on the spot. Talentum has a list of wanted-and-offered items, but this list is not frequently updated. Deals between partners are based on personal agreements, denominated in Talentum’s LETS currency, which cannot be converted to Hungarian forints (HUF). Communications between the members are accomplished by phone or through a Googlegroups.com-type URL. Yearly dues and the documentation of transactions are managed by an administrator (who receives an honorarium in Talentum currency); this creates a steadily growing positive balance on behalf of the administrator. A troublesome factor emerged: most members have a strong negative balance, except for the record keepers and administrator, whose positively balanced account is almost as large as the sum of all other members’ negative balances. As this became clearer, some members got very upset and felt a negative balance was morally wrong, wanting to step back.

At present, there are two main reasons for the lower number of transactions: First, demand came to mismatch supply because preponderances of its members were intellectuals; their needs were quite homogenous: they sought assistance to provide maintenance, repair, etc., from which the supply was small. The second reason was true for the entire region – the free cash flow and, consequently, the free time of people were so low that even if people wanted to, they just could not give mutual services to each other.

The KÖR in Szolnok still exists as it did at the time of North’s research. Ferenc Tóth, the group’s head, notes people cannot get rid of the mindset of patriarchal dependency and care, and so, cannot build their own community with a system of self-help in place. This circle was transformed into a charity shop for clothing and small appliances, with some monthly services

http://www.complementarycurrency.org/.

http://helyipenz.linkpark.hu and http://alternativ-gazdasag.lap.hu/
added. Tóth, who resigned and was upset, said: “…we can’t speak about community building. The motivation for realization of self-interest in this region is so high, that there is less motivation for creating communal forms and public spirit.”

3. The second wave of LETS circles

After the first wave, there came a period of three passive years. This was followed by a second LETS movement, which was inspired, first, by theoretical developments; and second, by crisis-literature about the regime change, which was said to have made things worse. Hungarians saw that the transition did not fulfil any of the dreams that had been associated with it. It became evident that, behind the escalated economic crisis, there was a general social, political, and spiritual crisis going on. As well, the effective political changes happened much earlier: in fact, during the last decade of the Kádár regime. There appeared a “nothing-has-changed” feeling that was summed by: “tanks are going; banks are coming”.

Changes in the transfer of knowledge resulted in Hungarians becoming more aware of their own possibilities. So, it was a time for the next wave; several LETS circles were founded. Above them was an umbrella organization, called Korona Csereklub. It was created by the non-legal civil social organization (CSO), the Korona Csereklub Egyesület, in 2007.

The Korona Csereklub, whose members were from smaller, more local circles, used Internet-platform-developed accounting software. Circles created their own currency, which did not accrue interest, and they made their own decisions about entrance to the circle. The Korona Csereklub served as adviser, distributing know-how to help with communication and concurrent trading among various LETS circles. It promoted regional self-sufficiency and reduced the ecological footprint – for the protection of local markets and workplaces.

The Korona Csereklub contributed to the creation of seven further LETS circles; of these, the most active are the Pilis Csereklub and Bakonyi Cserekör.

4. Think local in many ways, but always in community

In Hungary, as compared to other Visegrad countries, forthcoming confidence has strengthened: it was felt one simply could not build and create community but must also live and think community. The works of the Hungarian economic historian, Karl Polányi, had a great influence on how the intellectual segment of Hungary conceived of money, the market, and change (Polányi, translated, 1997). It was widely believed the money system was a social institution: the primary relationship between a country’s citizens and their money must be changed before any introduction of a relationship-organiser such as an alternative-currency system.

The second wave LETS movement’s primary task was to define a self-regulated, sustainable, resilient community. Not only NGOs but also undeveloped, smaller regions, municipalities and small businesses sought this kind of community. The common goal was to create a new way of behaving. There’s no space at present to discuss these initiatives, for today’s groups are diverse, ranging from Helyi Piac (http://www.helyipiac.eu/) to the ÉrMe Club (http://www.ermehalo.hu/)
5. Beyond LETS in Hungary

As mentioned, the situation in the last eight years slowly changed as people became more motivated and well-informed. A recent legal proposal was created for mutual-aid circles (Parliament, 2010). From this proposal, works and services in the household would be free from the Value-Added Tax. The passing of the proposal would provide huge support for Hungary’s LETS circles.

The spreading of the Internet, card and mobile payments, etc., also was helpful. The legislative procedure, through which the 2007/64/EC European Union directive (EC, 2007) - Payment Service Directive - was adopted into Hungarian law, supports the use of community currency. This legislation introduced a new form of enterprise – the payment institution for payment services (OJ, 2007, pp.9-15.) – and defined within payment services the emission and acceptance of payment instruments: that is, complementary currencies and all payments by telecommunication, digital and IT devices (OJ, 2007, pp. 36). In the latest news, the government plans to introduce in the next two years a standardized card system.

There is one thing remaining: the Kékfrank was introduced last year in Sopron as the first Complementary Currency system in Hungary (Perkovátz, 2009, and Szalay, 2010). Even its preparations caused a huge media response; all over the nation it was deemed a good example. The idea of the Complementary Currency appeared in the strategic program of one of the candidates for mayor of the town of Bicske (Index, 2008), and was an important part of a campaign program for an Hungarian political party that has representation in parliament, during its municipal elections (Jobbik, 2010).

We agree with Zagata (2004): for post-communist countries, “The complementary currency system is gaining a firm position within the development of regional administration bodies”. It is a feature, unique to Hungary, that Complementary Currency is supported in so many ways at municipal levels.

LETS IN OTHER POSTCOMMUNIST COUNTRIES

The situation in other post-communist, Eastern European countries is not the topic of this work, although a few local currencies have been spawned in Russia, Bulgaria, Ukraine, and Croatia. Two institutions from Russia can be noted as examplars.

In Russia, there was a widespread system based on the idea of local-exchange trading systems, called Billex (Billex, 2011). The system saw its greatest advantage to be in utilizing some types of “bills of exchange”, as an alternative to banknotes. Accordingly, a bill of exchange represented a mutual relationship between debtors and creditors, which differed from governmental banknotes in that it must be paid back, up to a maturity date. So bills of exchange are now used by members and should, in theory, be a better means of exchange and to retain value. A possible punishment for the failure to make payments is the loss of a debtor’s property (in accordance with Russian bill legislation). The value that serves as the system standard is gold. But such a system does not require the gold standard, for this serves only for the evaluation of transactions. Another idea mentioned by Kenneth (2002), from the Kostroma district, about 300 km. from Moscow, is similar. The small district of Kostroma started using their own special currency (thanks, greatly, to support of Gorlovsky State Farm, the mainstay of the district’s economy), and this currency helped in numerous ways, excepting the incremental changing of living standards and the fighting of social evils such as alco-
holism.

CONCLUSION

Only the future will tell whether the number of alternative economic thinkers (in Poland, the Czech Republic, Slovak Republic and Hungary) will reach a critical mass. Instead of strictly following Western LETS models, first local characteristics, ideas and social needs must be identified and addressed. Economies in real socialism were based on other conditions than those appearing in other Western European countries. LETS and economic alternatives never emerged in Visegrad countries until after communism was at an end. Organised groups bringing decentralized local economic systems came into being after 1989. Conditions in ex-socialist countries have come closer and closer to the conditions of the rest of the democratic world. Yet there exist substantial differences as well. The short experience of a democratic, younger civil society, and low but constantly growing indebtedness combined with low income inequality between the rich and the poor, make the ex-socialist countries unique. These systems definitely do not involve large populations, as do some localities in Western Europe.

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Szalay (2010): Exchange of letters between Szalay and the representatives of some Hungarian LETS circles, as follows: Gy. Zsombok (Talentum), F. Tóth (KÖR in Szolnok), A. Ugrin (Pilisi Kör), Z. Mikheiler (Bakonyi CsereKÖR)


APENDIX

1. Some LETS homepages in Poland
   http://lets.pl/
   http://krakow.lets.pl/
   http://www.lets.most.org.pl/krakow/pl/index.htm
   http://lets.bzzz.net/
   http://www.bartersystem.pl/serwis/

2. Some LETS homepages in Slovakia
   http://www.lets.sk
   www.ffmm.sk
   http://www.casovabanka.sk

3. Some LETS homepages and initiatives in Hungary
   http://www.koronakor.hu/pilis.php
   http://www.bakonyicserekor.sokoldal.hu/
   http://www.koroskor.hu/
   http://hiraba.lapja.hu/
   http://hunglets.freeweb.hu/
   http://szivessegbank.hu/
   http://www.suska.hu/
   http://www.ad6kap6.hu
   http://zolmik.hupont.hu/
   http://ad-kap-tar.atw.hu/
   http://banya-tanya.hu/batori_kalaka.html
   http://www.ermehalo.hu/
   http://www.helyipiac.eu/

4. Some LETS homepages in other post-communist countries
   http://www.complementarycurrency.org/
   http://billex.tomsk.ru/sm/index.php
   https://cromland.cromalternativemoney.org/do/login
   http://www.bankvremeni.org/intro.jsf
   http://www.infocentrebg.com/eng1.html