

Social Money

Outline

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 2. Diagnosis of the Economic Problem
 3. Connection of Social Money with other Workshops in WSSE.
 4. Social Money Systems and the New Economic Paradigm
 5. Case Studies
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Concepts and Definition

- Conduct research on initiatives based on para-monetary instruments, known as *Complementary Currencies*.
 - Work to change the mentality of scarcity to a mentality of abundance.
 - Implement micro, local and regional economic systems for improving the social and economic capacity of the area.
 - Present the possibilities of creating a new social and economic paradigm being born within the existing economic system.
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- Engage with the other Workshops and actors in the Solidarity Economy Movement to identify points of contact and cooperation.
 - Assist in the sharing of information and experiences across the main language barriers.
 - Develop indicators of social and economic impacts of the system, and to identify best practices for sharing and transfer to other areas.
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Diagnosis of the Economic Problem

- Economics deals with the allocation of “scarce” resources, and the monetary system is specifically designed to justify this perception in reality.
 - This is achieved mainly by charging interest on loans, which results in price inflation and capital flight and social exclusion and destructive competition.
 - In reality, we can see that many abundant resources go unmobilized or mis-allocated due to the monetary system based on this design.
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- Throughout human history, a wide variety of monetary systems have been used to direct local resources for meeting local needs.
 - Nearly every monetary crisis in history has caused people to devise alternative means of payment.
 - These methodologies form the theoretical basis for Complementary Currency Systems.
 - Today it is estimated that some 5,000 communities worldwide utilize complementary means of payment to achieve broader social and economic goals than those targeted by the present global monetary system.
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- Money is considered to be a neutral medium of exchange, which it is not.
 - The monetary system is considered to be the invention of the marketplace, which it is not.
 - High interest rates make Third World enterprises unable to compete with other enterprises that can access capital at lower interest rates.
 - This causes increased risk, which keeps these rates high and reduces access to capital, resulting in capital flight and enterprises operating at below capacity.
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- High inflation discourages the circulation of money, which can lead to economic stagnation and monetary crisis.
- Mechanisms for speeding up a stagnating economy work too slowly to be effective.



Connection of Social Money with Other Workshops in WSSE

- Despite our efforts at communicating our ideas with the other workshops, it seems that there is not a clear idea of what the Social Money Workshop is trying to achieve.
 - Perhaps it is the term “Social Money”, which is one type of Complementary Currency?
 - Perhaps it is believed that Complementary Currency Systems cannot connect with other Financial Initiatives such as MicroFinance and Fair Trade, because the currency is not considered to be convertible?
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Micro and Solidarity Finance

- A client receives a loan to buy a machine to produce goods for sale in the market.
 - The money for the machine drained from the community to the city where the machine was purchased.
 - There is not enough money in the local marketplace to buy the goods that were produced.
 - How is money injected into the local economy to support production?
 - How can interest rates and collateral requirements be reduced?
 - How can a group of enterprises work together?
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Fair Trade

- A Fair Trade organization has received external funding in order to pay a better price to producers than other buyers in the marketplace.
 - The local economic conditions change, forcing the Fair Trade organization to move to a different location to source the same products.
 - What can the Fair Trade organization do to ensure that their clients continue to receive better prices than they did before by building an enterprise cluster with links to other buyers, ie. south-south trade?
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Complementary Currency Systems and the New Economic Paradigm

- Complementary Currency Systems encourage the identification of abundant, unmobilized and undervalued resources.
 - Social: knowledge, skills, experience, time, energy
 - Economic: capital, loans, networks, circulation
 - Mobilize local resources for meeting local needs using a local medium of exchange.
 - The great pyramids of Egypt, the Cathedrals of Europe were not built with scarce money, they were built with abundant money.
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- Nearly every monetary crisis in human history has caused people to create alternative forms of money.
 - Jersey and Guernsey money created from the monetary crisis in the early 1800s, which still functions to this day as legal tender currency.
 - WIR Bank in Switzerland, a commercial Complementary Currency System for SMEs was formed during the Great Depression, and functions to this day as a major Swiss corporation.
 - Boon Kud Chum Complementary Currency in Thailand was formed in 1998 during the Asian Monetary Crisis, and functions to this day.
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Other Examples

- City Money, Germany, Weimar Republic, 1921.
 - Worgl Labor Certificates, Austria, 1934.
 - Alberta Provincial Currency, Canada, 1936.
 - Depression Scrip, America, 1931-36
 - Borsodi Constant, America, 1970
 - Local Exchange Trading System, Worldwide, 1980.
 - HOURS Time Currency, North America, 1991.
 - Time Banks System, America, 1993.
 - Tianguis Tlaloc Currency, Mexico, 1994.
 - Red Global de Trueque, Red de Trueque Solidario, Argentina, 1995.
 - Toronto Dollar Voucher Currency, Canada, 1996
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Other Examples, continued:

- Bia/Boon Kud Chum, Thailand, 1998.
 - Doole System d'Echange Communautaire, Senegal, 1998.
 - Social Service Notes, Japan, 1998.
 - Curitiba Environmental System, Brazil 2000.
 - Fomento Micro-Finance Program, Brazil, 2002.
 - Regio Currency System, Germany, 2002.
 - Consumer Commerce Circuit, Brazil, 2004
 - Voucher Currency System, Honduras, 2005.
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Types of Complementary Currency Systems

- Many different types of Complementary Currency System.
 - Different systems are used to achieve different goals, or focus more on the social, economic, environmental or cultural issues that are of concern to the people of a particular location.
 - Two main types of systems:
 - Trust-Backed currency
 - National currency or commodity-backed currency
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Social Money Systems

- Currency is backed by promise or contract.
 - LETS, Time Bank, HOURS, Red de Trueque are the main types of Social Money System.
 - Currency can be issued by decision of the management or through account withdrawals.
 - System is under the Social Control of the community.
 - Goals are mainly social: inclusion, volunteerism, cooperation, exchange of unwanted goods.
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Backed Currency Systems

- Currency is backed by contract, collateral, national currency or commodity.
 - Ancient Iranian, Babylonian and Egyptian money were backed by agricultural commodities deposited in warehouses by the farmers.
 - Fomento, Consumer Commerce Circuit, WIR, Toronto Dollar are main types of Backed Currency Systems
 - Although goals are also social, the main goals are SME networking, enterprise networking, clustering, capitalization and finance.
 - System is responsible for money supply and circulation.
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Vision and Objectives

- Shifting perspective in economics from one of scarcity to one of abundance.
 - Changing a mentality of poverty, dependence and needs into a mentality of assets, satisfaction, and sufficiency.
 - Including social, environmental and cultural objectives within the framework of economy, as it is the economy that is most active in undermining these values.
 - Encouraging communication with other fields of economics and knowledge about the role of economy in dealing with problems they encounter.
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Activities

- Facilitating Communication of knowledge, experience, best practices across language and geography barriers.
 - Encouraging Compilation of all known Complementary Currency Systems into the ccDatabase at www.complementarycurrency.org.
 - Providing access to resources and documents through an Open Library of CC Systems, also at www.complementarycurrency.org
 - Systemizing terminology in order to better communicate and connect with other Workshops.
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