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COMPLEMENTARY CURRENCIES
New Paths to Sustainable Abundance
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Summary

This essay explains why complementary currencies are one feasible way–perhaps the easiest and most effective way–of dealing with some of the negative and often neglected consequences of economic globalization. It suggests the introduction of two types of complementary currencies–sectoral and regional–which have the potential to create financial stability and liquidity for exactly those neglected areas that need it most: the social, cultural and ecological sectors of society and the peripheral regions of the world.

In Part One, three examples of sectoral currencies show how caring for the elderly, supporting small and medium sized businesses, and providing the means for a substantial improvement in education can each be achieved on a countrywide scale without increasing taxes or government debts.

In Part Two, the region is defined as an economic unit with specific interests and potentials that can be strengthened by its own currency, thus connecting unused or underutilized resources with unmet needs, reducing the need for transportation, promoting a new sense of community and calling a halt to the drain of financial resources to remote "investors", the lowest-wage countries and tax havens with the resulting migration of companies and jobs.

Part Three summarizes the vision of a world in which we are using money systems designed to create a win-win situation for everybody.

PART ONE:
SECTORAL COMPLEMENTARY CURRENCIES - NEW MONETARY DESIGNS

The major goal of the present money system is to make more money out of money. This is difficult to achieve for "social purpose" activities such as supporting small- or medium-sized businesses faced with globalized competition, or caring for the elderly, or educating the young. Small wonder then that everything that cannot compete with the money-making power of money on the financial markets has a hard time to find the necessary funds. Creating new monetary instruments, which are designed for specific purposes, may help to do just that: to create the funds for specific social, cultural and ecological endeavors, as well as regional development.

The following three examples of (what I have termed) *sectoral complementary currencies* are meant to demonstrate:

- Firstly, how different sectors of society can benefit from the introduction of these new monetary instruments and
- Secondly, that there are different ways of backing these currencies: goods and services, time, and the national currency itself.

Each of these models are functioning on a countrywide scale but could also be used on the regional level.

1. The WIR - a system of accounts to support small and medium-sized enterprises

A sectoral currency for small and medium-sized enterprises (SMEs) called WIR, the abbreviation of Wirtschaftsring, has been used successfully in Switzerland since 1934. Based on their respective economic performance, SMEs give each other credits and repay these within a given period of time with their own goods and services. They use a system of accounts through which the participating 60.000 members–about 20% of the SMEs in Switzerland, organized in 15 regional groups–improve their economic performance.

The WIR currency unit matches the Swiss Franc 1:1 in value. The yearly turnover of 1,7 billion WIR in 2005 shows that the cooperative operates a highly successful support scheme for its users. Do we know the corresponding turnover of members in SwFr, hence proportion of turnover in WIR? The WIR Card is the first credit card that can be used for two types of currencies: WIR and Swiss Francs.

An important outcome of the research conducted on the relationships between the WIR system and the national economy over the last 70 years (Stodder, 2000), shows that during an economic depression the turnover in WIR increased whereas during an economic boom the turnover in WIR declined. Both movements are logical, as most businessmen would prefer payment in Swiss Francs, if possible. However, in an economic recession they will be glad to accept the WIR in order to sell their goods.

This means that the WIR–very much like other complementary currencies–supports the policies of governments and central banks, which tend to counter cyclical ups and downs in the national economy. Traditional banks, by contrast, will give credit when the economic situation is good, but act cautiously when it is not, thus amplifying the boom and bust cycle.

2. Fureai-Kippu – a time bank to care of the elderly

A complementary currency serving millions of elderly people has been developed in Japan. The so-called “Fureai Kippu” care ticket has been used nation-wide since 1995, when a former Minister of Justice, Mr. Hotta, anticipated the problems about to hit Japan with its rapidly increasing population of older people and lack of funds to provide the necessary services. He proposed to create a currency with a unit based on time, whereby young people ready to help elderly people would be credited with “hours” to be redeemed by themselves at a later date, or by their parents or friends in a different part of the country.

This care system is organized in a decentralized fashion but coordinated on a countrywide scale. In contrast to the WIR, the turnover in “Fureai Kippu hours” is not money-based and so is tax-free. Based on a time unit, which does not change in value–an hour is an hour, today and in thirty years from now–it is always covered 100% by the services provided and so is also an inflation-free currency.

Interestingly, research conducted on the acceptance of the care ticket shows that, if they have the choice, elderly people will mostly favour the services provided by people paid in Fureai Kippu over those provided by the members of professional service agencies, as the volunteers are differently motivated and the perceived relationship of care is better.

This again is an experience found repeatedly with complementary currencies: they create new social relationships and community ties. Using the present money system, once you have paid your obligations are discharged and there is no further need to communicate.

3. Saber - a voucher system to improve educational opportunities

In Brazil 40% of the population is under the age of 15 years, and this means there is a sizeable educational problem. Some years ago when the mobile phone industry was privatized, the government decided to levy a 1% surcharge on all the mobile phone bills in order to provide additional funds for higher education. By 2005, funds collected amounted to 3 billion Reais (about 1 billion US $); the question to be answered was how to spend these funds most usefully for education.

Lietaer and Gibson proposed to issue educational vouchers called “Sabers” (*saber* means knowledge) to provide those schools in Brazil, where there is a potential for higher education but a lack of funds to realize it, with an incentive to stimulate the underutilized teaching potential of school children (Lietaer, 2006). Sabre vouchers would be backed by the funds provided by the mobile phone levy and given to the youngest pupils in the respective schools. In a selection process supported by their teachers, younger school children would exchange the vouchers with older school children in return for tutoring in areas they wanted to develop further. The older students could do the same with the next age group, and so the vouchers would create an enormous expansion of teaching and learning opportunities. Vouchers in the hands of 17-year-old final year pupils could pay for their tertiary level studies in cooperating universities.

Since the Sabers are designed to lose 20% of their face value if not used by the end of the school year for which they are issued, it serves everybody to pass them on as quickly as possible. Devaluation of the vouchers can also be avoided through their “final use” for tuition in the universities, which are the only institutions capable of changing the vouchers into Reals to pay for staff and running costs. Since holding free capacity of study spaces costs the universities about 10% of the average tuition fees, the Education Ministry could negotiate a 50% cost reduction for students using this capacity.

Altogether, an estimated five-fold exchange of the vouchers per annum in the schools and the 50% cost reduction for tuition in universities would amount to a ten-fold use of the money that backs the vouchers. In other words the new money creates a ten-fold benefit for education. *Three billion Reais would create 30 billion Reais worth of educational benefit for the participants.*

Besides the additional knowledge acquired by the school children who teach—people remember about 10% of what they hear, but 90% of what they teach—the Saber scheme taps into an almost unlimited potential of human resources, one which up to this point has not been utilized. This feature of multiplying resources by extending the value chain is one it shares with most other complementary currencies.

Creating stable money with an added social value

The three examples of sectoral complementary currencies (CCs), described above, have several commonalities, as well as sharing differences with the present money system:

- CCs create a win-win game for everybody
- Whether backed by the national currency, goods and services or time, they decrease inflation and increase the stability of the economic and social system

- CCs are transparent in their process of creation and, therefore, can be controlled democratically
- They bring together underutilized resources with unmet needs and create new employment opportunities, which usually are not “economical” in the traditional money system
- They improve social interaction and thus the “social glue” among the participants
- CCs cannot be used for speculation on international financial markets nor for transfer of profit to tax havens like the present money, which when used as means of speculation does harm to everyone, even those who temporarily profit
- They can reduce government expenditure for social, cultural and ecological projects and promote responsible self-help attitudes
- CCs improve the quality and quantity of social services and goods and create opportunities for services which otherwise would not exist, thus making people more independent of government services and subsidies.

In contrast to programmes that attempt to create more social justice through the transfer of wealth from the upper 10% of the population to the lower 80%, which very rarely work the way they are intended, complementary currencies offer a new way to stop the growing social polarization. Once they have been introduced and function well, they can replace in part the social welfare system. In a sense, complementary currencies are highly innovative means for supporting individual and group initiatives, strengthening their self-worth and generating added social value through collective action lead by a sense of collective intelligence.

PART TWO:
BRINGING ABOUT CHANGE AT THE REGIONAL LEVEL

Why would we attempt to introduce a *regional* currency–on a scale in between the local and the national level–at a time when most countries in Europe have just joined the Euro and countries in Asia and Latin America are discussing their own international currency? The answer is simple: except for the growing metropolitan regions, almost all peripheral regions are losing their financial resources, which tend to flow to those areas in the world providing the highest returns. If these peripheral regions need money for their own investments, they will get it only under the conditions that are set on the international financial markets, which in most cases they cannot match.

The introduction of the Euro has had both positive and negative repercussions at the *national level*: positive because it ended the speculation among European currencies; negative because the Euro has made it more difficult for national governments in Europe to react effectively to specific regional developments.

Looking at alternatives, the *local level* seems too small to make a difference. For example, within the average LETSystems (local exchange and trading systems), individual participants can usually satisfy not more than 3-5% of their total needs for goods and services. Normally either transaction costs or the time it takes to receive the desired product or service, are too great to advocate this solution on a large scale.

This leaves us with the intermediate *regional level*. We know in theory that economic transactions that occur within a region can be made with a regional medium of exchange. If a special currency could be designed to include a circulation incentive (or demurrage), this would substantially invigorate exchange within a given region, and eliminate the negative consequences of interest. Obviously, not all regions are equally equipped to adopt this solution. Economic autonomy is more easily attained in regions with greater diversity of production. Such a region would, therefore, be a better candidate for a regional currency than one where the majority of people work in the same factory for one dominant employer.

There is little in the way of research or data that can back this proposition because this definition of "region" emerges only once the new regional currency itself is established. Where a respective region begins and ends depends on the willingness of the majority of people to use the regional currency. Obviously, noone can be forced to do so. Willingness to participate may be determined not only by geographic boundaries but also by economic, cultural and historical factors.

The development of complementary regional currencies enables the inhabitants of a region, for the first time since the introduction of national currencies in the nineteenth century (i.e. the departure from regional currencies was not that long ago), to support the regional production of goods and provision of services and, if identifiable as such, to preferentially purchase regional goods and services.

Regional currencies bring new potential for economic growth for small and medium-size enterprises, which are responsible for creating most of the jobs and profit arising from production, rather than financial investments. And the cost of creating workplaces for regional production often is a fraction of the cost of workplaces that serve international markets. So why shouldn't regional banks and governments be willing to collaborate in establishing a regional currency?

Three components of a fully-fledged regional currency

In order to achieve this goal, a regional currency must not only be legal but realistically should be introduced in stages and be able to quickly gain the trust of the population. On the basis of the current legal system in Germany and experience with complementary currencies in recent years, this is possible if three models are combined. Together, these models embrace all the functions which the present money system fulfills, but on a regional level.

1. Vouchers or credit cards replace cash

Firstly, a *voucher system*—used today by many commercial enterprises to enhance customer loyalty—is backed by national currencies, time or goods and services of participating businesses and customers and used, like cash or like credit cards, for everyday payments of small amounts. This model called “Regiogeld”, is currently being tried out in seventeen regions in Germany and Austria.

2. Cooperative systems of accounts provide cheap credit

Secondly, a *cooperative system of accounts,* like the WIR (described above) allows for the buying and selling of goods and services as well as granting lines of credit between small and medium-size enterprises, possibly also individual consumers. It increases the liquidity of the SMEs and offers the inhabitants of the region an opportunity to exchange goods and skills among themselves.

3. Member Banks offer interest free loans and credit

Thirdly, a *member bank* serves long-term, large-scale credit needs for individuals and entrepreneurs. Members receive interest-free loans based on interest-free savings deposits. This model could work along the lines of the JAK Members Bank in Sweden (see below).

This combination of various regional currency mechanisms performs virtually any function of the current money system and has several advantages. Each component can be introduced separately, but together they produce synergetic effects. All three can be depended upon because they have a history of success in countries where they have been used for many years.

A Members Bank for Complementary Currencies

In order to support the inhabitants of a region with interest-free loans in complementary currencies, one possible solution would be to adopt the Swedish JAK (Jord Arbete Kapital = land, labour, capital) Member Bank system, established in 1965. It is probably the most successful system for providing interest-free loans once it is established and has a sufficient amount of money to circulate.

In Sweden about 31 000 people use this system and deposits plus loans were about €153 Million at the end of year 2005.

The basic principle is simple: The members' savings in the bank finance all loans. Therefore, nothing has to be financed on the capital market and the deposits of the members balance the lending of the bank at all times.

The basic rule for individual loans is that an equivalence between loans and savings has to be reached three months after the last instalment of the loan has been paid back. The balance is not calculated in currency but in "currency x time": SEK 1000 borrowed for one month must be balanced with an equal amount saved for one month. The savings can be done in advance, during the repayment or some before and some after the loan is taken, but nobody can withdraw the savings during the repayment period or as long as loans have not balanced.

Interest is paid neither for the loan nor the savings. Since loans are interest-free, those who are saving do not get paid by those who are borrowing. 31,000 members using the system are saving €82 million and borrowing €71 million. So the staff constantly transfers money between members. The fee charged on all loans to cover the administrative costs is calculated as "0,026 x the loan amount" per year. And so while the rate of interest on the capital market goes up and down, this does not affect a JAK loan.

For the saving and borrowing member of JAK inflation is also not a problem. At the same time when savings lose purchasing power, the loan is repaid with cheaper money. The average loan repayment period is ten years and usually price relations do not change too much over this period in Sweden. So there is no need to include an inflationary adjustment, which usually is a part of normal loan costs. Nor is there a need to include a "liquidity premium" (explain) as neither loan nor savings incur interest.

Most JAK members have been saving for some years before they take their first loan. If a member gets a loan without prior savings, all savings have to be made during the repayment period. For example, a loan of €20,000 is repaid over 5 years and an equal amount is saved during this period. The member pays €688 every month (comprising a fee of €22, the loan repayment of €333 and a saving of €333). In this case, the costs for the JAK loan are €1,300, which equals 2,5% effective rate of interest. The same loan in a savings bank or a commercial bank would cost 8% interest or €4,320, which equals 8,5% effective rate of interest.

There are altogether four advantages that JAK members enjoy: firstly, very low costs for loans; secondly, that the JAK loan fee is fixed; thirdly that the €20,000 saved during the loan period can be withdrawn from the JAK Bank when the loan is repaid; and fourthly, borrowers in JAK who have to buy shares equal to 6% of the loan, in this case €1,200, get this “risk premium” back when the loan is repaid.

Since most regional currencies do not incur interest, this type of banking would seem the most logical and advantageous for all participants.

Differences between the Euro and the Regio

In order to accentuate the fact that a regional currency differs from the Euro, the term "Regio" is being used for complementary regional currencies in Germany and Austria. The Regio Netzwerk, founded in September 2003 in Prien (Germany), adopted this term. In February 2006, association members of this loose network of initiatives created a federation called Regiogeld Verband, serving 50 initiatives of which 17 have already created their own currency.

In contrast to the Euro, the Regio’s common features include:

• It is not an "official" means of payment, which means that nobody is obliged to accept it. Acceptance is entirely voluntary and therefore it will only function as long as people consider it to be useful

• Its use is limited by geography, and in each region the currency bears a different name

• Exchanging a Regio for another regional currency or for the national currency usually imposes an exchange fee

• Regios normally do not earn interest, but carry a circulation incentive–i.e. a fee–if not passed on.

According to Gresham’s Law, these characteristics make the Regio "inferior" money; in other words, everybody will always be eager to get rid of this means of exchange before spending Euros. This is exactly the intention. We are essentially turning Gresham’s Law on its head: in terms of optimizing the exchange function, the Regio is inherently a "superior" money. It would be more correct to say that the different currencies–the national/international and the complementary sectoral or regional currencies–are designed to fulfill different functions.

The Euro is well suited for international exchange, competition and the accumulation and redistribution of wealth through savings and investments that claim exponentially growing interest. In contrast, the Regio is suitable as a means of exchange that intentionally promotes cooperation, social glue, cultural activities and ecological goals.

The Regio is, so to speak, a quality label, which guarantees a certain quality standard and performance:

• it allows a partial decoupling of the regional economy from the global economy and acts like a semi-permeable membrane around the region, allowing that percentage of economic exchanges which are regional to be carried out in the region’s own currency

• it keeps the added value within the regional economy and thus helps to reduce unemployment

• it reduces the long-term risks of inflation and deflation

• its creation is transparent and, therefore, can be democratically controlled

• it encourages ecological projects and promotes efficiently the shortest

transportation routes
• it enhances regional identity, cooperation and responsibility among participants and creates new relationships between consumers and producers.

The question is whether or not the value of Regios should be equivalent to that of Euros. This is convenient because it does not require the calculation of exchange rates when shopping or paying bills. It also makes it easier to calculate income tax in Regios. But it is important to include a clause, in the by-laws of the issuing association, that permits a transfer to other monetary units in case the Euro should undergo galloping inflation. In this event, the average hourly wage could instead be used as a reference-unit; alternatively the price of a kilowatt-hour of electricity or a cubic meter of drinking water.

In the long term, inflation, which has harmful effects on wealth, and deflation, which is detrimental to long-term growth potential, can best be avoided if there is cooperation between the central banks and complementary currency systems. The main reason for central banks to enter into such cooperation would be the fact that complementary currencies have a substantial system-wide, anti-cyclical stabilizing effect.

Cooperation with regional banks

Considering all the requirements that a complementary regional currency must fulfill, the question arises whether the introduction of such a currency could or should happen in cooperation with local or regional banks. One proposal is to establish a Regio members' bank, which would allow participating institutions to lend out their gradually accumulating assets to finance larger investments, and to administer the savings of their members. Would this, however, be a replication of the functions of already existing local banks, which would naturally oppose this new competition?

The answer to this question depends on many factors. How obliged do bankers in the local community feel to work toward the common good and to serving the community? To what extent will the citizens of the region demand that the relevant social criteria embodied in many of the smaller cooperative bank statutes be observed?

Germany–in contrast with England, where the banking system is completely privatized–has three types of banks: profit-oriented private banks, member-oriented cooperative banks, and task-oriented savings banks. The latter two are permitted to do business only within their regional economic sphere. Cooperative banks and savings banks are obligated to concentrate on the economic well being of their region, because they are restricted to regional banking. Since these regional banks are duty-bound to "fertilize, plant, and harvest" regionally, they have an existential interest in a thriving regional economy and community life. Thus they may well support the regional currency initiative.

The treatment of regional currencies for tax purposes

There are two questions regarding tax liability on Regio transactions: Should they be taxed at all? If so, which currency would be used to pay these taxes?

One of the main reasons against the taxation of Regio transactions hinges on their potential to solve social problems that otherwise would have to be addressed by the taxpayer. The social benefit of offsetting such costs should, therefore, be included in a comparative accounting scheme that would help to determine what taxes, if any, should be paid on Regio transactions. If the savings surpass the income from taxation, then all concerned—including the revenue service—would be better off if Regio transactions were tax exempt.

However, if the Regio is utilized for commercial transactions, then taxation can rightly be justified. It is important, therefore, to allow for the option of paying the tax in Regios, for this will determine whether or not the Regio gains general acceptance and is used to its full potential. At the same time, perhaps the most effective way to prevent the success of a regional currency is to require that all income taxes—regardless of whether the income comes from Euro or Regio transactions—be paid in Euros; the reverse is equally true. The best way to promote the success of the Regio is to advocate its parallel use as a mechanism of payment of taxes and fees, giving businesses greater incentive to accept the Regio.

There are important reasons why the Regio should be accepted in payment of regional taxes and fees. First, these taxes benefit public services in the region. Second, they play a role in maintaining and strimulating home-grown jobs. And third, the positive social and economic repercussions of increased regional productivity reduce the need to spend tax money and help to improve regional economic conditions.

Finally, there is also a middle ground between taxing Regio income and exempting it from taxes. One could exempt a certain proportion of income (e.g., income under one thousand Regios or its Euro equivalent) because it costs more to tax such small amounts than it brings in. (That is how income is treated in SEL, a French complementary currency.) Another possibility would be to permit businesses to pay a certain percentage of their taxes in the regional currency.

A practical example in Chiemgau

One of the first attempts to introduce a regional currency in Germany is the "Chiemgauer." Initiated as a complementary currency by the Waldorf School in Prien, a small town south of Munich at Lake Chiem, this model has now become an independent association with 1300 members in the region and a turnover of €720.000 per annum. As there are many other initiatives that build on the experience of Prien, it is worth describing this model currency in more detail.

The Chiemgauer is designed to create benefits for all participants. Chiemgauer vouchers can be obtained by exchanging an equivalent amount of Euros in one of the cooperating social or cultural associations willing to act as a distributor of the regional currency. By exchanging currencies, members immediately help their chosen association, which receives a 3% transaction fee for selling the vouchers or acting as a distributor of the regional money. The first buyers of the new currency were Waldorf School parents, who bought vouchers to support construction of an addition to their school. Since then, most of the regional non-profit organizations have become distributors, and participating businesses (see below) come from all major villages in the region.

Buyers of the regional currency accept an annual fee–a circulation incentive–of 8% to guarantee circulation. Four times a year a stamp worth 2% of the value of the voucher has to be purchased and attached in order for it to retain its nominal value. This somewhat clumsy method (called "demurrage" by economists) is being replaced by an electronic system (July 2006) in the small town of Wasserburg at the river Inn. The reason for this fee is to make the regional currency change hands faster. The pace of exchange of a regional currency varies from four times the speed of the national currency in Prien (July 2006) to over 40 times the speed of the national currency in the USA in the 1930s to over 400 times the speed of the national currency in Wörgl Austria between 1932 and 1933.

Businesses that accept Chiemgauer vouchers as payment can exchange them for the national currency at a 5% fee, or they can use them to pay other businesses, employees, the publisher of the local newspaper, etc. If they pass the vouchers on, or if they put them into their savings account, they do not have to pay the annual fee. For the majority of businesses, accepting vouchers is a matter of cultivating customer loyalty. This usually costs them no more than 10% of their gross turnover. Thus, accepting a small fee, which is tax deductible, to pay for a regional currency carries no real financial disincentive for a local business. Customers who recognize their power to maintain the economic vitality of their region increasingly are motivated to go to stores where they can pay with the regional currency. More and more, businesses are realizing that they too can make payments in the regional currency—with the advantage that they don't need to pay the 5% fee for exchanging the vouchers back to Euros.

In a similar scheme in Australia, whilst 70% of the vouchers were exchanged back to the national currency during the first year, only 7% were exchanged during the third year. Thus, the vouchers were effectively being used as a complementary currency. A similar development can be observed in Prien.

Finally, the profit from the circulation incentive–for the Chiemgauer the stamp of 2% of the value of the voucher paid every quarter–offsets the costs of operating the system. Any surplus held by the issuing body is donated to projects in the region that are deserving of support.

The advantage of such a concept is that Euros will be changed into regional vouchers only if, and as long as, they can be spent. This in turn serves as built-in security against the unlimited issuing of vouchers, which could lead to voucher inflation.

With the Chiemgauer, we are not creating a new currency in the strictest sense, but rather are taking advantage of the voucher model to address an additional social function: to advance regional development through a complementary means of payment based on a circulation incentive.

In numerous places in Germany, this idea has been adopted and is being applied at a surprising rate. There are essentially three reasons for this:

1. There are only a few legal avenues for creating a regional means of exchange that is simultaneously advantageous for all participants and, therefore, has the potential of being widely accepted

2. Many individuals and groups are searching for ways to contribute to the solution of the current socio-economic crisis

3. There are many other good reasons for the revitalization of the regional economy and its identity beyond the benefit of balancing the one-sided trend toward globalization. This includes initiatives for regional marketing of fresh food; renewable-energy cooperatives; management of bioregional water, waste water and solid waste; greater rapport between producers and consumers; better services provided by craftsmen and small businesses; and a new sense of belonging or community.

PART THREE:
THE VISION

The vision of a "World of Regions" has great fascination for many people. Instead of accepting globalization with all its negative and positive consequences–all wrapped up in one package, so to speak–they see the possibility of bringing about regional change that would be of direct benefit to many who have been disenfranchised by the evolution of the global financial system. They see globalization not only in terms of the loss of their own freedom of choice, but also in terms of both the powerlessness of their politicians in the face of giant corporations and the instability of the international financial system governed by the herd instinct of international investors.

Building a regional economy attempts to create a new basic principle for social and economic policy. The introduction of regional currencies may prove to be one of the most powerful tools for the realization of this new order. Numerous existing regional initiatives and programs are the logical "natural partners" in this transition.

The current monetary system functions like a pump that sucks capital out of the regions where it is earned and pumps it into those regions where it gets the highest return. Therefore, it is of the utmost importance to geographically contain the circulation of money so that it first and foremost meets the requirements of the region, then the surplus can be distributed more widely.

A "small dam" or “semi-permeable wall” that retains money longer in the local economy may prove to be the ideal way for a region to maintain its economic viability. This is because, nowadays, investments in the capital market gain higher returns than investments in productive enterprises, so more money leaks away and less money flows to where jobs are being created. Therefore, the primary tasks of a regional currency should be to optimize its role as a means of exchange, as a unit of account (valid only within a geographically limited area), and as a store of value designed exclusively to guarantee stable (not exponentially growing) investment values.

European Union programmes have consistently failed to promote regional development goals. They have not been able to curb the flight of capital, value creation and human resources. Even the internal strategies intended to promote regional development–by linking available resources and encouraging cooperation or engaging the public (the " bottom-up" approach)–have ignored a crucial factor: the centralizing role of the money system. Yet it is obvious that projects with relatively low profitability cannot be financed with monetary capital that is under ever-increasing pressure to provide high returns.

Over the past two years, a group of about a dozen professors of micro- and macroeconomics from Germany, Austria, and Switzerland have written a new report for the Club of Rome (Brunnhuber et. al. 2003), presenting scenarios and design possibilities for financial markets in the future. The report discusses the management of our economies and fills the gap left by the first Club of Rome report, which initiated the debate about sustainability thirty years ago. That report completely overlooked the subject of money. It regarded money as a value-neutral system of accounting with no impact, either positive or negative, on issues of sustainability. The new report stresses the introduction of complementary sectoral and regional currencies as an important step toward the realization of sustainable economy.

The amazing initial success of the regional currency concept in the German-speaking parts of Europe, where–within the short time span of three years since 2003–fifty regional currencies are in the planning stages and fifteen have become operational, is now giving space to a more practical view of the opportunities of using this financial instrument. While the businessmen and people in general are very open and receptive, regional governmental bodies and banks have as yet to engage in large enough numbers to prove that they too can profit from the increase in regional economic activity.

The next steps are already underway. The most successful examples have become laboratories for economics students and attract conferences and workshops of scores of individuals, institutions and university researchers who are setting out to prove what regional currencies can do and where they have their limits. The first results are most encouraging. Participating businesses, shops, customers and clients are largely happy and proud to be part of a new promising way of being able to support their region. Politicians of different parties have stated publicly that this movement is of great value to show new and interesting ways to tackle regional problems. So far, the numerous reports in the media have been amazingly positive.

For the German Bundesbank as the national representative of the European Central Bank, the amount of money issued up to now is, as yet, too small to warrant any concerns for the national currency, and by implication the Euro. The hopes of the advocates of regional currency is that they can be enabled to test and prove the validity of their concepts in cooperation with the national and the European Central Bank; also that their past and present scientific work will lead to an open and productive discussion about the usefulness of combining a centralized money system for international and national trade with decentralized money systems for specific social, cultural, and ecological purposes.

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About the author:

Prof. Dr. Margrit Kennedy is a German architect (Technical University of Darmstadt, Germany) with a Masters Degree in Urban and Regional Planning and a Ph.D. in Public and International Affairs (University of Pittsburgh, Pa. USA). She has practised architecture and urban planning in Brazil, Nigeria, Scotland, the United States, and Germany, and has worked as a consultant for UNESCO and OECD between 1976 and 1979. She has published numerous books, articles, and reports on community school planning and building. Her work on women and architecture, urban ecology, permaculture, money, land, and tax systems is recognized internationally.

From 1979 to 1984, she was appointed director of research, responsible for ecology and energy for the International Building Exhibition Berlin. With about 100 members, since 1985, she has been co-creating the eco-village of Lebensgarten Steyerberg, Lower Saxony. In the largest project of its kind in Germany, she and her Irish husband Prof. Declan Kennedy have conducted fourteen international workshops and conferences dealing with the different aspects of money and land reform since 1988. From 1991 to 2002, she was the first professor for Ecological Building Technologies in Germany for the Department of Architecture at the University of Hanover.

Many projects in ecological architecture led her to the discovery that it is virtually impossible to carry out sound ecological concepts on the scale required today without fundamentally altering the present money system. Her book *Interest and Inflation-Free Money: Creating an Exchange Medium That Works for Everybody and Protects the Earth,* is a result of this discovery. It was first published in 1987 and has since been translated into twenty-two languages. A second book on the topic of complementary currencies written together with Bernard Lietaer, *Regionalwährungen – Neue Wege zu nachhaltigem Wohlstand (Regional Currencies - New Path to Sustainable Abundance*) was published by Riemann, Munich in 2004. The focus of her work, at present, is the support of complementary currency initiatives in Europe.