Complementary currency systems as a source of endogenous development of localities

Doplňkové měnové systémy jako zdroj endogenního rozvoje lokalit

L. Zagata

Czech University of Agriculture, Prague, Czech Republic

Abstract: The paper tackles the issue of regional and social development. From a sociological point of view, it focuses on the phenomenon of complementary currency systems. The analysis shows that money, as a social institution, has got certain features, which have an impact on economic behavior of people. Establishing a currency on the local level, which would circulate as a complement of the national currency, brings certain social benefits to local society. Nowadays, there are many complementary currency systems all over the world, including Europe. The paper attempts to answer the question, how they can contribute to the local development.

Key words: endogenous development, economic exchange, social capital, money, complementary currency, LETS

Abstrakt: Tento článek se dotýká problematiky regionálního a sociálního rozvoje. Ze sociologického úhlu pohledu se zaměřuje na fenomén doplňkových peněžních systémů. Předložená analýza ukazuje, že peníze, coby sociální instituce, mají určité vlastnosti, které ovlivňují ekonomické chování lidí. Ustanovení lokální měny, která by fungovala jako komplement k národní měně, přináší určité sociální výhody zúčastněným členům lokální společnosti. V současné době existuje celá řada systémů komplementárních měn po celém světě, včetně Evropy. Tato práce se pokouší odpovědět na otázku, jakým způsobem mohou přispívat k rozvoji lokality.

Klíčová slova: endogenní model rozvoje, ekonomická směna, sociální kapitál, peníze, doplňková měna, LETS

INTRODUCTORY REMARKS

The article focuses on the phenomenon of local currencies. It discusses, from the sociological point of view, theoretical and practical impacts of their application in local society. The key presumption of this work, which is based on expert literature, is the fact that the character (or immanent qualities) of the used currency strongly influences people's actions and forms of social relations. Therefore, the ad hoc created currency may be able to perform other functions than the conventional national currency and so stimulate economic and social development of the locality.

The lack of ability to get over the obvious notion which grants the official currency as the only possible medium of exchange hinders discussions on alternative forms of monetary systems. Due to this fact, the initiatives that attempt to implement the complementary currencies are often seen as curiosities with negligible effects on local development. Nevertheless, all over the world, there are many different examples of the complementary currencies working (including the developed West European countries). Their numbers are growing and many local governments support those kinds of activities, because they have proved their worth as efficient means of solving particular social and economic problems, such as local unemployment (Lietaer 2004, originally 2001).

The purpose of this paper is to outline some relations concerning the impacts of the implementation of complementary currency on the life of a given community. The discussion on major benefits of complementary currency systems is based on the analysis of economic exchange. The main impacts on local society are illustrated by numbers of examples and by the results of empirical researches. The conclusion of this paper tries to answer the question about the complementary currency contribution to the local development. Besides that, there are noted new questions about the possible implementation of the complementary currency system in the context of the Czech Republic.

LOCAL DEVELOPMENT AND FEATURES OF MONEY

Regional and social development issues are necessarily of interdisciplinary character. From this fact it emerg-

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es that there are many theoretical approaches, which are used for solving problems of local development. Let us refrain from reviewing a relatively complicated classification of those concepts (Hudečková, Jehle 1997), so we can focus on two basic strategies that are represented by the (1) exogenous and (2) endogenous model of local development. The contemporary practice as well as theory is more tied to the second model. It is mainly due to the fact, that the endogenous approach was explored as a response to the difficulties with the applications of the former model (exogenous approach). Another reason stems from the fact that the endogenous approach to local development is more convenient in the context of the European Union policy.

In case of the exogenous model, the dynamic force of development emanates from outside the locality. This approach had been exercised in European rural areas after the World War II until the end of 70's, when there started a discussion about its problematic effects. The model was criticized as a whole, because it led to (1) dependent development – reliant on continued subsidies, (2) distorted development – boosting single sectors, selected settlements and certain forms of enterprise, (3) destructive development – that erased the cultural and environmental specificities, (4) dictated development – always devised by external experts and planners (Lowe 2000: 22).

Contrary to it, the endogenous model presumes that the key to sustainable development of regions represents specific (natural, human and cultural) resources of the area. The dynamic force of the development is founded on the local initiative and enterprise of the local society. This model also creates a base for the concept of integral endogenous development, which supports development of all aspects of the community life (economic, social, political, cultural, ecological and others) by using the entire potentials available in the locality.

Lowe (2000) identified the sources, which were used as a theoretical inspiration for the endogenous model that has been present in the sphere of the regional-development theory since the 80's of the 20th century. One of the recognized sources was the notion of self-reliant localities that could control their own development. This idea was encouraged by activities of different (commonly environmental) groups. They stood up for alternative forms of economic life. Some of them stemmed their attitudes from the "small is beautiful" principle, which was coined by the economic "dissident" E. F. Schumacher (2000, originally 1973). He proposed the idea of economy that would harmonize the existence of humans and nature. The Schumacher's concept of the "Buddhist Economy" includes the imperative to produce from local resources for local needs, because by this there can be saved physical sources that are always scarce and therefore represent an instigator of social tensions and conflicts between the people (ibid: 58). If we consider the intensifying processes of globalization (especially since the 70's of the 20th century) that have made the life of many communities and the people living in them even more uncertain, we have a chance to understand the effort of many communities to get things back under their control.

As a response to the economic and social problems, one started looking for local solutions and the complementary currency systems were explored as one of them. Their implementation was supposed to reduce some negative impacts of the conventional monetary system.

The goals of those initiatives have differed widely. In general, one can say that their solutions have involved coordination of economic activities for retaining value added from the use of local resources within the area. This approach has also implied the appropriate control of production and distribution of energy and – the most important part – the control of finance. By this control, there is meant a possibility to manipulate the functions of currency – to preserve standard functions (enabling people to carry out economic transactions) and in addition to that, to make the currency perform other functions that contribute to the development of non-economic aspects of the local society.

Features of money

Common textbooks of economics usually claim that money enables economic exchange. Therefore, money is considered mainly as the means of exchange. Besides that, there are usually added other functions, such as the store of value and the unit of account. How the national currencies perform their expected functions and their character (the necessity of nonfinite growth, stimulation of competition, concentration of wealth, stressing the function as the means of speculation, instability of the monetary system etc.) is heavily criticized (see Douthwaite 2003; Kennedy 1990; Lietaer 2004). Paying an extra attention to their arguments would go beyond the subject of this article, however, it is important to note that the mentioned criticism represents a starting point for seeking the local solutions of the economic and social problems using the complementary currency system.

Lietaer (2004) states that money mainly works as a means of payment. Contrary to the view that tends to perceive money as the means of exchange for the business purposes, the Lietaer's approach will allow to include even the transactions that are carried out for instance for ritual, custom and other purposes. Differentiating the means of exchange and the means of payment is in fact corresponding with the Polanyi's distinction of formal and substantive meaning of "economic" (1985). This differentiation is not an end in itself. It constitutes a basic frame, within which there can be analyzed the complementary currency systems that are due to their nature similar to the gift economy.

The most general definition of money implies that it could be anything, which serves as the means of exchange and payment. Monetary exchange has lower transaction costs than natural exchange (barter), which requires the so-called double coincidence of needs. Because of this, there was established the institution of money – the generalized medium of exchange that can be of the commodity (shells, grain, olive oil, etc.) or non-commodity (bank notes, coins, bank depositions) character. From the anthropological point of view, one can prove that in order to realize the monetary exchange, it is necessary (1) for trading actors to have "enough" money and (2) the medium must be appropriately distributed among the traders (Anderlini, Sabourian 1992). The mainstream-economic theories do not challenge the fact that money not only facilitates the economic exchange, but enables it itself (for example Holman 1999), however, they do not take into consideration the two conditions that were mentioned above.

Money, as the means of exchange, i.e. in the formal sense, represents a scarce product. Restricting their supply in economy is taken for granted and therefore seen as a must. Nevertheless, there is always a risk that it becomes excessively scarce and fails to perform its functions, because:

"At present, the level of trading activity in almost every part of the industrialized world is determined by the amount of money that flows in from outside. Unless the flow is adequate, even jobs that local people could do for themselves without any outside resources will be left undone" (Douthwaite 1996: 61).

In the background of this statement, one can see the Fisher's equation of exchange, which puts in relation the flow of money and the amount of transactions carried out. If the money stops to circulate in local economy (either because of the inadequate flow or because the money quickly leaves the local economy), it cannot perform its basic function (means of exchange) and local economic activities drop.

Numerous examples, especially from the great depression era in the 30's of the 20th century (Douthwaite 2003; Fisher 1933; Lietaer 2004), depict some solutions of the problem of the inadequate money circulation in economy and their institutionalization on the local society level. If we make it simple, we can say that the core of those efforts was always a modification of the local currency system to another form that would enable people to carry out economic exchange. Their solutions were based on the institutionalization of another (not scarce) generalized medium, which would ensure economic exchange (without an increase in transaction costs) and which would sufficiently circulate among people, i.e. in the local economy. By this, there were established all kinds of local currencies, which differed in many aspects – who had emitted them, their forms, circumstances of their establishing, their duration and success. As we will see afterwards , those attempts were not tied only to the limited time of the great depression, but they emerged on different places all over the world (Europe, America, Australia) even later on – always during a time of economic difficulties.

Considering the above-mentioned facts, the importance of the money should be now discernible. By the importance, there is not meant only its quantity, but in particular the way it circulates. Nowadays, it appears that the economic and social prosperity of a locality is to a large extent determined by the local multiplicative effect that is related to the circulation of money in the locality (Johanisová 2004). People can change the flows of money in the local economy based on how they carry out their economic transactions (i.e. how many, where, with whom, how often and so on). With regard

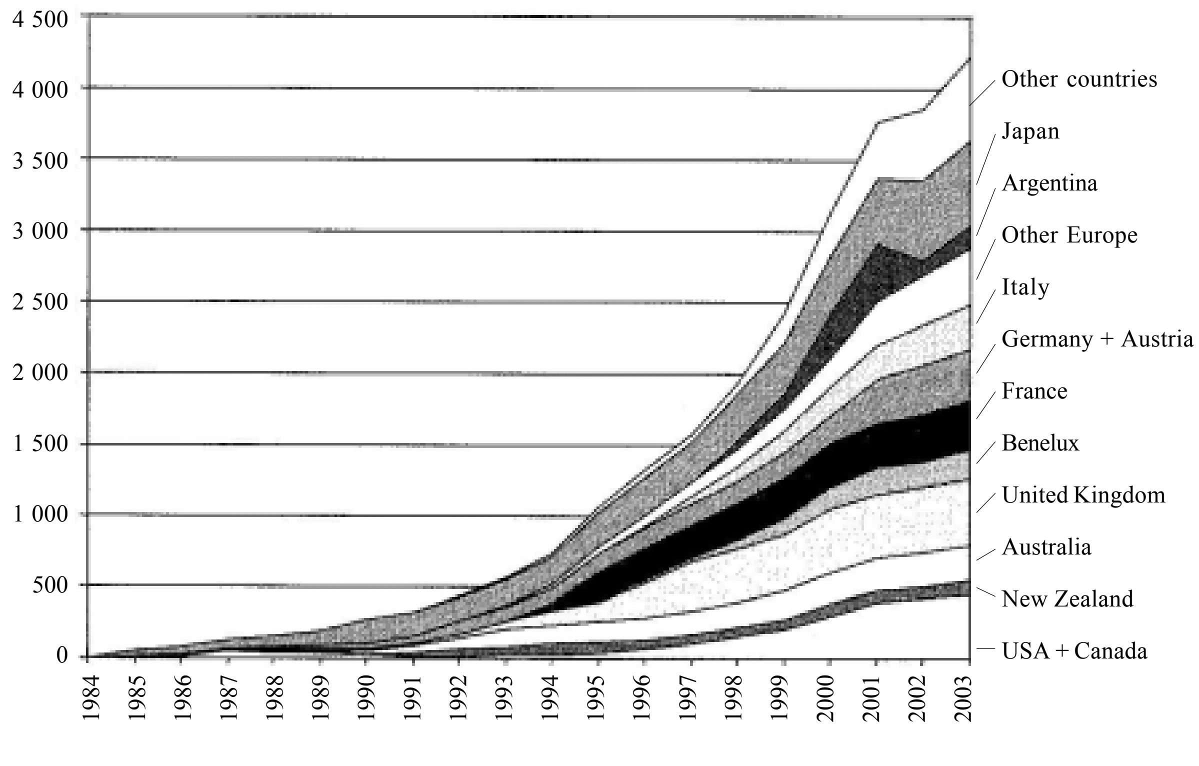

Figure 1. Number of Community Currency Systems Operational in during the years 1984–2003 (Lietaer 2004: 150)

to the fact that the way how people carry out the economic transactions influences economic and social prosperity of the locality, one has to focus on those actions, because it is in accord with the model of integral endogenous approach to regional development and it is researchable from the social-sciences point of view.

The number of the complementary currency systems has been increasing since the mid 80s in the developed West European countries. During the years 1984–1997, the number exceeded fourteen hundred – for details see Figure 1.

Basic types of the complementary currency systems[1]

The most known system of the complementary currencies is the LETS[2] (Local Exchange Trading System). The core of this scheme is the creation of a local economy that is based on the use of own – made by people – money. The first scheme of this type occurred in Canada in the mid 80s. Since then, the idea spread to other countries (New Zealand, Australia, Great Britain, France, Ireland and recently also central Europe – Poland, Slovakia etc.). There were for example 350 LET systems with more than 30 thousand members in the Great Britain in 1996 (Seyfang 1996).

Another group of the complementary monetary systems involves the currencies whose unit of account represents an hour of work for another member or for the sake of the community. The most famous example is the Time Dollars system, which was founded as a social project in Chicago and Washington DC in the 80s. At the end of the 90s, a couple of town councils in the Great Britain encompassed this system in their agenda involving social care for senior citizens. Another example is the project Ithaca HOURS, founded at the beginning of the 90s in the university town Ithaca, New York. The unit of account is obviously time. We should also mention a special currency Hureai Kippu, which is a Japanese version of the Time Dollars. This system works as a complement of the conventional health care program.

The last group, including a single representative, is the Swiss project WIR (Wirtschaftsring-Genossenschaft, i.e. the Economic Ring of Mutual Aid). The WIR currency is being used among individuals as well as small enterprises. The unit of account is the Swiss Franc, but the means of exchange is the local currency WIR. This system has been operating continuously since 1934. At present, its turnover is about 2.5 billion SF and it has got more than 80 thousand members.

PRINCIPLES OF THE COMPLEMENTARY CURRENCY SYSTEMS

The establishing of complementary currency in a locality is per se unique. The final result depends on the particular needs of members of the community, stipulated rules, ways of carrying-out transactions, types of goods and services that are exchanged, administrative form and many other factors. Due to this fact, one can analyze just a so-called ideal type of the complementary currency systems, the features of which can only come near to reality, but the ideal type as a whole does not exist in reality.[3]

The complementary currency systems are regularly based on the use of non-commodity currency, which serves for exchanging goods and services among the community members. When the transaction is realized, the supplier gains on his/her account a credit based on the value of the exchanged commodity, and the demander is charged a reciprocal value. Proponents of those schemes argue that the money is created by exchanging (Douthwaite 2003; Lang 1994). Consequently, as a medium, i.e. the means of payment, there could serve almost anything. This proves a couple of examples of the complementary currency systems (in this case namely the LETS), the members of which carry out transaction using "oaks, berries, reeks" and so on. The value of the commodity that is being exchanged is not a matter of market, but it depends on the members' individual decisions. Acquiring a relatively more expensive commodity may become rational within the context of the community life, because the members know each other and form the social in-group. Its members do not strictly pursue economic rationality. Besides that, the demander does not spend money on it but due to the carried out transaction is being involved in a commitment that differs from economic debt, for which an interest is charged . Considering these facts, one can say that these communities of people just exercise a mutual aid. Unselfishness of these actions is enhanced by the absence of conventional currency needed for the exchange. The nearly "gemeinschaft" traits of the local society are, however, spoiled by the fact that all the transactions must be formally measured and reported, because the members' accounts have to be cleared in the long-term. This is ensured by social control and informal social coercion.

Implementation of the complementary currency system takes on pecuniary relations between the community members. The nominalistic theory of money states that a currency qualifies as money if people generally accept it. Therefore, money is money because we treat it as money. One can see that it is necessary to form some sort of monetary community, in which people have the sense of be-

[1] The mentioned types represent a synthesis of the most cited representatives. They are taken from the publications of R. Douthwaite (1996, 2003) and B. Lieater (2004).

[1] The acronym LETS usually stands for Local Exchange Trading System. But some authors talk about Local Employment or Local Enterprise and Trading System.

[3] This section tackles general principles of the complementary currency systems, but it concerns mainly the so-called mutual-credit systems (such as the LETS or the Time Dollars).

longing together (Velký sociologický slovník 1996) and in which people accept the set-up currency (whatever it is) as a means of payment. What holds the members of modern society together is the trust in social order and structure. That is why Georg Simmel considered money as the "ultimate form of trust in state-social organization and order" (Velký sociologický slovník 1996). The local self-reliant economies, which on purpose reduce their relations to the outer sphere, face a similar task – they have to set their own monetary community. Natural will, which directed people's action in the traditional society (i.e. the society organized according to the Tönnies' concept of Gemeinschaft), is no longer the constitutive element, on which the local-currency organizers in the era of modern society could rely on. In order to form the local currency community, there must be available an appropriate amount of social capital on the collective level. It means that there must exist "significant elements of social organization, such as trust, norms and social networks of relations that facilitate collective actions" (Putnam 1993: 167), which would enable to carry out economic exchange with the use of the set-up means of payment.

In fact, the trust is a key element for realizing any exchange between actors. In case of the local currency systems, the situation is even more complicated. It has been already mentioned that money is not necessary for carrying out transaction within the complementary monetary systems – money is created by exchanging (so money is not necessary), but the exchange is not the case of barter either (exchanging creates money – and what more: the exchange is not based on the double coincidence of needs, as it is in the case of barter). This apparent contradiction can be explain by the third form of exchange, which anthropologists call mutual credit (Anderlini, Sabourian 1992), i.e. the trade that is based on mutual trust and exchanging on credit.

Without money in circulation, there are exchanged goods and services – the transaction act consequently creates the claim to pay the other side back in future. The presented social capital within the collective enables to overcome the limits of barter, because the existing trust among the community members enables the member, who is being in commitment, to pay back anyone from the community members just like in the case of using money. In comparison with the pecuniary exchange, the exchange (based on mutual credit) brings a tremendous advantage – by selling a commodity, the actors are allowed to purchase a commodity in future, but it will not suffice for the reverse. The credit exchange enables to acquire a commodity at present time, without having a property, just due to the existence of trust that the claim will be paid back in future. Barter is in fact a type of exchange in the system, where there is no trust present, the monetary exchange requires a trust in the used medium of exchange and finally the credit exchange represents a system, in which traders trust each other (Anderlini, Sabourian 1992). Even though trust is a luxury in the era of modern society, it enables to overcome certain difficulties related to the monetary exchange.

We have shown that social capital on the collective level allows realizing the exchange without using money and without increasing transaction costs over the bearable level. The trust among the community members determines the functions of the used currency – means of payment and store of value. It is obvious that without trust (for instance that my 25 oaks gained for selling 10 home-produced eggs will be even next week accepted by any member of the community as a reward for the demanded lawn-mowing) the local currency system is impossible. The established social norms, which confine people's actions, play a similarly important role – informal social norm sets limit of the minus balances. If the limit is exceeded, other members will be reluctant to trade with the member who has broken the rule. The importance of creating social networks which account for social cohesion and form structures for human action is discernible.

If we summarize what has been said, we can state that the modern pecuniary economy loosens direct relations, which may under certain circumstances consequently lead to social exclusion of some members. Local economies that use their own complementary currency system drag individuals in local social networks, which consist of relations to "close and known" (things) and therefore are controllable in favor of the community members. Social capital is the key for funding the complementary currency system. It also enables to set up a quasi-Gemeinschaft, the members of which carry out economic transactions based on mutual credit. The complementary currency can consequently perform other functions, which the national currencies are not supposed to do.

Contrary to the conventional currency that stimulates competition for sources needed for realizing economic transactions, the complementary currency systems are based on the principle of reciprocity (typical of the gift economy), which supports cooperation between community members. The question whether competition or cooperation is more natural for human society tackles one of the transversal sociological problems and so it is not easily answered. The question about benefits of those approaches is even more complicated. Nevertheless, the above analysis proves, that the complementary currency is able (due to its immanent features) to support growth of social capital, which is necessary for the local development.

EFFECTS OF THE OPERATIONAL COMPLEMENTARY CURRENCY SYSTEMS

Theoretically one can point out all different kinds of positives. Economic benefits include valuating certain goods and services which are not commodified in the regular economy. A real financial benefit can occur if persons who are willing to supply qualified work join the system. Environmental benefits stem from the fact that people have a chance to satisfy their needs in a more ecological manner – for instance when the locality reduces import of goods from distant places, which accords with the Schumacher's concept of the Buddhist economy (see above), or when people start using things more efficiently and ecologically by sharing them with each other.[4] Last, but definitely not the least, are the social benefits. The local currency system promotes anonymous market participants to the members of the community. All together they form a social in-group, within which people can valuate the unique qualities of the others. Membership in the community also contributes to the sense of unity and provides members with the needed social identity.

Seyfang (2003) states that in the Great Britain, some governmental policies tackling the problems of relative poverty and social exclusion actually count on the local currency systems. Social inclusion is derived from formal employment; hence there is a drive toward formal employment for all who are able. Secondly, there is strongly stressed active citizenship, which is one of the aspects of social inclusion and which is necessary for social cohesion of local societies. The projects of the complementary currencies (namely for instance the LET systems) can perform both roles – they enable people to earn income from productive work and so satisfy their needs; they also support social inclusion by enabling people to join social networks of the local society.

Many of the empirical works focused on social characteristics of the participants. Couple of studies – including the LET systems in the Great Britain and Germany (Seyfang 2002; Peacock 2003) and Ithaca HOURS in the United States of America (Jacob et al. 2004) – came up to similar conclusions. The complementary currency systems usually involve people with a higher level of education, liberally oriented, with "green" beliefs, keen to experiment with alternatives to the global economy. Consequently, the local currency systems are perceived by the potential members as something which is supposed to be for *other people*. Forming the social in-group by the community members, which is so much appreciated, can become a serious obstacle for another development.

Some people hesitate to join the local currency system, because they do not think that they are qualified with any valuable skill. This fact directly challenges one of the basic presumptions of the LET systems, which argues that any member of the local society is in control of some goods and services that might be demanded by other members. The proponents of the system relied on the so-called social economy that involves exchanging goods and services which are not commodified in the formal market economy. However, trading things like that runs into fundamental problems, when it is necessary to value the products. Values of the commodities are not set up in advance and depend on stipulations of the actors. The ideal type of the complementary currency system is not based on perfect *homo oeconomicus*, who pursues maximization of his/her own profit. As we have already said, acquiring a relatively more expensive commodity is rational within the context of the community. Nevertheless, it appeared that members of the communities have often brought with themselves "pictures" of formal economy and have tended to value the exchanged goods and services according to their experience with the formal market economy. This state is not too favorable for the people (if they decide to trade at all), who offer the goods and services that are not commodified in the formal economy. Even if the goal of the local currency systems is social inclusion of the marginalized groups of people, some schemes include certain attributes which hinder social inclusion.

The apparent contradiction between the goal and the functioning of the system is understandable, if we consider the laissez faire principle in price settings. This situation gives an opportunity for confrontation of social positions of the negotiating power. One can assume, that the positions of the community members are based on the amount of their overall capitals (cultural, social and other types). The increase in the amount of the capitals of a certain individual regularly entails an increase in his/her position within the particular social structure. A higher social status brings with it more negotiation power, which discriminates the marginalized members (i.e. the actors with a low individual human potentials) and makes their participation in economic exchanges more difficult.

Possible implementation of the complementary currency system in the post-communist countries

The confrontation of the theoretical presumptions and practical effects of the complementary currency systems is even more difficult under the conditions of the European post-communist countries. The question is whether the formalized systems of local currencies can also work in a society with the communist experience.

The first experiments with the complementary currencies occurred in the era of the great depression. Expert literature from abroad usually talks about the examples from Austria, Germany and Switzerland. Nevertheless, one cannot rule out the possibility that the currency systems based on the mutual aid emerged in the former Czechoslovakia as well. Renaissance of the local currencies is dated to the 80s of the 20. century. Since then, their numbers are growing. Their existence within the context of the developed economies of the West Europe is comprehended as a response to the economic, social and environmental problems that have shown up in some localities. The economic benefits of the complementary currency systems are negligible – at least in comparison with the situation in the 30s, when they played a much more important role – but the social benefits have re-

[4] H. Librová argues that nowadays people buy brand new appliances because of the so-called neophilia, rather than because the things get old or break down (Librová 2003). Sharing things within the community members helps to use those appliances more efficiently and therefore more ecologically. This (sharing household appliances) is in fact a typical service that is traded within LETS (Lang 1994).

mained. However, the assessment of those benefits is difficult. On one side, the complementary currencies are seen as an esoteric matter that concerns a few keen participants; on the other hand, the complementary currency systems are gaining a firm position within the development programs of regional administration bodies.

The situation in the Czech Republic and other Central European transforming societies is very different. Most of the present initiatives are related to the activities of "green" social movements interested in environmental issues. The ideas of the complementary currencies were usually "imported" from abroad and their implementation has become more or less additional to their main activities. Up to date, there are 3 LET systems operational in the Czech Republic. One of them is the LETS called "Letokruh", which was founded in 2000 and includes members from České Budějovice and the nearby area. The other is LETS "Rozlet" that is located in Brno. This one is run by the Association Permakultura (Permaculture), which is interested in the sustainable development issues.

In the Slovak Republic, there are several LET systems and one Time Bank (that works on the similar principles like the mentioned Time Dollars). Most of these representatives are linked again with the activities of NGOs with various interests. As in the case of the Czech Republic, the complementary currency systems appear to be a marginal issue, which concerns only a relatively homogenous segment of society. These systems definitely do not involve large groups of inhabitants as in some localities in the West Europe.

The Hungarian experience with the implementation of the local currency systems (North 2004) could offer at least a partial answer to the question regarding the chances of these initiatives in the post-communist countries. The first LET system was established in Budapest at the beginning of the 90s. In several years, there have emerged other ones in different localities, including a small village. The experience was mixed.

It appeared that the systems of complementary currencies attracted mainly young people. Members of the older generation (for instance in the village Bordány) refused to join, because they felt that the trading system is not meant for them. Another problem was the belief of some people that the complementary currency system tried to restore the romantic tradition, which could not work in the new conditions of transitive economy in the modern society. The principle of reciprocity (for instance in form of the mutual neighbors' help) is conceived as one of the traditional elements of the rural communities culture. Another difficulty became the formalization of the apparent relations by the complementary currency system: "Really good friends help each other anyway, so why charge?" (North 2004).

In addition to the mentioned practical difficulties of the operational complementary currency systems in Western-Europe societies (such as the esoteric character of these activities, relative closeness of the communities, lack of resources for the already poor people), there appeared others which stemmed from the specific conditions of Hungary as a post-communist country – individualistic political culture, the erosion of traditional social networks, mistrust in unknown things, lack of local leaders, trust in family-based solutions, etc.).

CONCLUSIONS

Some results of the mentioned empirical research can make an impression that the real effects of the complementary currency systems completely diverge from the effects which were expected in theory. Actually, it is not true. Some examples of the complementary currency systems proved that not all the initiatives have economic purposes. On the other hand, one can see that the experiments with the complementary currencies bring with them the possibility to restore the "jammed" economy. The individual economic benefits are the matter of discussion. The use of the local currencies has certain features that are typical for the economy of the traditional society. These features are also potential barriers of further development and consequently they limit the potential economic benefits for participating members. On the other hand, any modification of the constitutive elements may destroy the nature of the local currencies and threatens the produce of social benefits.

What is at present seen as the most important positive are the social benefits. The existence of the complementary currency systems is purely determined by social capital, which is – by it – concentrated in the locality. The local society, in which there circulates a complementary currency, strengthens its social potential for further development. By the potential, there is meant a certain disposition or presumption for the "inner-development" of the locality, i.e. it is the social potential in the reproductive meaning (Illner 1989). The potential rises from the needs and interests of people living in the locality, which intensify self-reliance of the locality and reduce its dependency on outer areas. This kind of potential is discernibly in accord with the endogenous model of local development.

Perspectives of the existence and possible implementation of the complementary currency system significantly differ. If we disregard the extreme attitudes, which on one side see those initiatives as a cul-de-sac for the future development, or on the other side absolutely admire them (as a solution of all problems), we may achieve a more realistic position. The economies of the modern societies and their monetary systems (with regard to intensifying processes of globalization and possibilities of information technologies) are changing. The complex globalization processes lead on one side to a more intensive integration on the transnational level, but on the other hand they stimulate the process of localization, which results in fragmentation. The phenomenon of the private currencies is therefore linked with the globalization processes. The goal of these initiatives is not to challenge the function of the national currencies, but to set up another (complementary) currency, the use of which brings benefits to its users. The contemporary experiments may represent transition versions of their future development. Because of this, the phenomenon of dual currencies should definitely attract our interest.

If one wants to explain this phenomenon with regard to the issues of regional development in the Czech Republic, it is necessary to focus on the following problems:

1. Do the specific social and cultural factors of the Czech Republic enable the implementation of the dual-currency systems?
2. Which of these factors may stimulate/hinder the development of the complementary currency systems?
3. How to explain that the incidence of the complementary currencies is confined to activities of the "green" NGOs and what is the probability that these systems will occur within larger sectors of the Czech society?

This article can be seen as a base for another research of dual currencies. The above-mentioned questions will most likely become a core of the author's empirical research that will be focused on this topic. The beginning of the empirical work is planned on the November 2004. The objects of the research will be the operational representatives of the complementary currency systems in the Czech and Slovak Republic. Considering the methods, the research will combine qualitative and quantitative approach using the related techniques. The goal of this empirical work will be to explain certain relations of the local currencies and the regional and social development.

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Contact address:

Ing. Lukáš Zagata, Česká zemědělská univerzita v Praze, Kamýcká 129, 165 21 Praha 6-Suchdol, Česká republika
tel.: +420 224 382 311, e-mail: zagata@pef.czu.cz