Complementary Currencies

A time-tested way to create jobs & increase purchasing power.

Complementary currencies have a long history reaching back to ancient Egypt. Still today, worldwide, they are empowering ordinary people in a monetarily unequal world.

When governments and banks aren’t being good stewards of communities’ financial stability and growth, these currencies give people the means to provide for themselves.

Complementary currencies have now and in the past supplemented national currencies in order to help meet local needs.

Historical Examples

United States

The Federal Reserve (FED) is tasked with managing the U.S. monetary system and therefore one would be hard pressed to find a voice with greater authority.

In its article Private Money in our Past, Present, and Future published by the Cleveland Federal Reserve, the FED acknowledges the validity of complementary currencies and provides a number of historical examples. The article starts with the statement:

"The government isn't the only entity allowed to issue money. Private citizens and businesses can too, and throughout U.S. history, they often have."

This clearly affirms National Commonwealth Group's most fundamental premise that we citizens can legally create our own money and use it to address our own needs.

The article goes on to describe conditions in the U.S. from the 1800s to the 2000s, stating, "The list of those who have issued private money in the United States is long. Besides state and national banks (that is, banks established by state or federal charter), transportation suppliers such as canal, turnpike, and railroad companies have issued money. Coal mining and lumber companies have issued money, often called scrip, to pay workers. Merchants, farmers, and community groups have created their own money, too.

"Each of these examples of private money arose to serve purposes that were not well served by government-provided money. These purposes include having a currency suited for making small purchases, having a medium of exchange in remote locations, and having a means of exchange during financial panics."

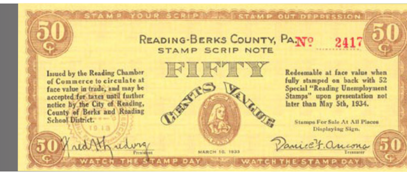
In the last section titled "Private Money in the Internet Age", the author states, "With advances in information and communication technology—not the least of which is the ability to embed a wafer-thin computer chip into the equivalent of a credit card—it seemed certain that a new form of private money, "electronic money," would arise as an alternative to paper money and coins in everyday transactions. . . .

". . . At this point, they are merely new ways to make payments. However, it is probably naïve to believe these means will not develop into new forms of money. Undoubtedly, too, there will be new voids in the future that will require new forms of money. Perhaps these voids will be filled by innovations in money provided by the Federal Reserve. But the private sector might also jump in and fill them, too."

Just two years after this article was written, the private sector introduced Bitcoin and digital money began to really take off.

Throughout the history of complementary currencies in the U.S., one particular variant called Stamp Scrip was used more than any other. Stamp Scrip is a type of complementary currency where users have to purchase stamps to place on the back of the paper currency that acts rather like a tax on the use of the money.

Stamp Scrip



This FED article *Stamp Scrip: Money People Paid to Use* published by the Cleveland Federal Reserve explains that often the driving force behind the use of stamp scrips was a shortage of national currency cash.

The article goes on to state that, "Stamp scrip was issued by municipalities, civic organizations, business organizations, and individuals. Municipalities issued stamp scrip as a source of revenue. The Great Depression caused an erosion in taxpayer income, an increase in taxpayer delinquency rates, and even tax strikes in some communities. All of these took their toll on municipal revenues.

Municipalities could make up the shortfall by making purchases and paying workers with stamp scrip. Civic organizations issued scrip to promote employment and various civic projects."

The article points out that many of the U.S. stamp scrip programs during the Great Depression were modeled on two highly successful examples in Europe, one in Germany and the other in the town of Wörgl, Austria.

In fact, at the onset of the Great Depression, one of the leading U.S. economists, Professor Irving Fisher, learned of the success of the European experiments described next and determined that "The correct application of stamp scrip would solve the Depression crisis in the U.S. in three weeks."

He presented his findings to Dean Acheson, then under-secretary of the Treasury under FDR. Acheson sought input from Harvard economics professor Russell Sprague, who told him that this approach could indeed succeed in bringing America out of the Depression, but cautioned him to check with the President.

However, fearing decentralization, President Roosevelt denounced the complementary currencies soon afterwards and they were prohibited. He did so in probably his most famous address, the one including the phrase "The only thing we need to fear is fear itself."

In that speech he also announced that by "executive decree" he would henceforth prohibit 'emergency currencies'. This was the code name for all the complementary currencies already in existence, and all those in preparation around the country. That prohibition lasted for decades.

Imagine if Fisher's recommendation had held the day. The Great Depression would have ended well before World War II and a great deal of suffering would have been avoided. Fortunately, complementary currencies are now legal in just about every country. Here are some historical and current examples.

Germany

Within a few months, towns became prosperous, workers and merchants were free from debt, and a new spirit of freedom flowered.

The Bavarian town of Schwanenkirchen is among the best examples of the Wära, a scrip currency introduced throughout Germany in 1926 as a free economy experiment. It was introduced by followers of German theoretical economist Silvio Gesell. The Wära is comparable to current models of local currencies.

In Schwanenkirchen, the new owner of a small bankrupt coal mine started to pay his workers in coal instead of Reichsmark. He issued the Wära as a local scrip which was redeemable in coal. The bill was only valid if a stamp for the current month was applied to the back of the note. This demurrage charge prevented hoarding and workers paid for their food and local services with the Wära.

According to the FED article, "One could not have recognized Schwanenkirchen a few months after work had been resumed at the mine. The village was [prosperous], workers and merchants were free from debts and a new spirit of freedom and life pervaded the town. Had Herr Hebecker used his 40,000

Reichmarks instead of Wära, his efforts would have inevitably resulted in failure; the money would have circulated through only one or two hands, each person retaining as much as possible and hoarding it because of the hard times."

The use of this scrip was so successful that by 1931 the so-called Freiwirtschaft (free economy) movement had spread through all of Germany. It involved more than 2,000 corporations and a variety of commodities backed the Wära.

In November 1931 the German Central bank prohibited use of the Wära. The mine owner had to let most of his workers go. Forbidding the Wära caused an economic collapse in Schwanenkirchen and surroundings.

Austria

Wörgl was the first in town in Austria that effectively managed to eliminate the extreme unemployment caused by the Great Depression. Its local currency experiment was such a success that it gained worldwide attention (link 1, link 2 and link 3.)

Before issuing its own currency, Wörgl suffered from more than 30% unemployment and ongoing bankruptcies. Within weeks of issuing its currency, Worgl reached full employment. The key was stamp scrip. The speed that money changed hands (14 times higher than the national currency) helped keep local businesses afloat and, in time, brought back the town's lost jobs.

The residents of Wörgl not only repaved the streets and rebuilt the water system and all of the other projects on their mayor's long list, they even built new houses, a ski jump and a bridge. The experiment was so successful (while it lasted) that it became known as the "Miracle of Wörgl."

Approximately 200 other towns throughout Europe wanted to replicate what Wörgl did – until the Austrian central bank panicked and shut the program down. Unemployment soared right back to previous levels, work on civic projects came to a halt and Depression conditions continued.

Europe in the Central Middle Ages

Here we find a sustained period of financial success based on local currencies spread throughout Western Europe.

Chapter 6 from the book, New Money for a New World by Bernard Lietaer (co-architect of the Euro) and Stephen Belgin details a 250-year period (1040-1290) of widespread abundance throughout Western Europe that can be directly attributed to the extensive use of local currencies. The authors note that, “There was work for all, with favorable working conditions and abundant time for family, community, and personal pursuits. This epoch was also characterized by significant advancements in science, technology, education, literature, music, arts, craftsmanship, and more.”

In addition, the citizens were directly responsible for building more than 1,000 cathedrals in Western Europe, alongside 350,000 churches and several thousand large abbeys.

“This medieval building phenomenon is more remarkable still,” say the authors, “given that there was no central authority, church or otherwise, in charge of initiating or funding the construction of these cathedrals. Contrary to popular belief today, these structures were neither built by nor belonged to the church or nobility. Local nobility and royalty customarily did make contributions, but these monuments were typically owned and financed by the citizens of the municipalities where they were built.”

Those efforts initiated over 800 years ago are still providing financial returns as tourists flock to those cathedrals bringing with them money that they leave in the communities they visit. Almost nothing in history has provided a greater return on investment.

Contemporary Examples

The largest and most successful complementary currency in use today is the WIR in Switzerland, a perhaps surprising location considering the country’s role at the heart of international banking.

In 2020, the WIR bank held assets equivalent to more than $6.13 billion USD.

Switzerland

The WIR (from the German *Wirtschaftsring* or ‘Economic Circle’, and ‘wir,’ German for ‘we’), serves small and mid-sized businesses mainly in hospitality, construction, manufacturing, retail and professional services. The WIR offers a clearance mechanism in which businesses can buy from one another without using Swiss Francs. The WIR is often used in combination with the Franc in dual currency transactions.

WIR started in 1934 and now has over 60,000 users (17% of Swiss businesses). Annual WIR turnover is more than 1.5 billion euros.

Research by economist James Stodder (1998; 2005; 2007) showed that the WIR creates a countercyclical tendency in the economy. This means that during financial crises, when the availability of legal tender contracts, the trade in the WIR network increases and hence enables member businesses to avoid a severe downturn in profits and annual turnover.

Bavaria Germany

The Chiemgauer is one of the largest of Germany's approximately 40 regional currencies.

With another 36 in the pipleine, they are part of the Regiogeld (regional money) network created to boost local economies, retain money in communities, support local non-profits, and promote "buy local" campaigns.

Named after the region around the Chiemsee lake in Bavaria, the Chiemgauer started in 2003. Chiemgauer transactions are handled through accounts at local branches of several regional cooperative banks.

Today more than 600 businesses participate and the value in circulation is approaching $900,000.

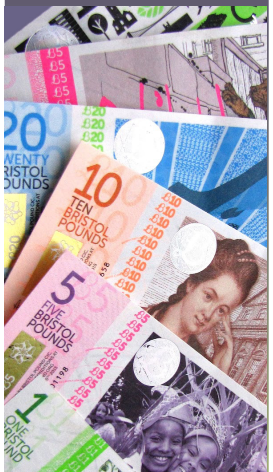
Basque Region France

Inspired to bring Basque pride back to the Bayonne region, a group of volunteers launched a euro-equivalent local currency in 2013. Their aim was to reinvigorate enthusiasm for their cultural and linguistic roots and keep money within the French-Basque region by supporting local businesses.

By October 2018, their currency, named the eusko, reached the equivalent of 1 million euros in circulation, making it the most successful of such monetary experiments in Europe.

Now 17 municipal governments and 820 local shops, businesses and associations in the French Basque Country accept the eusko.

Bristol England



Bristol was the first city in the UK in which taxes and business fees could be paid in a local currency.

The Bristol Pound was launched in 2012 to encourage people to spend their money with local, independent businesses.

Bristol City Council, and other organisations in the city, offer their employees the option to take part of their salaries in Bristol Pounds. The former Mayor of Bristol, George Ferguson, accepted his entire salary (£51,000) in Bristol Pounds. The local green energy provider also accepts the currency.

Curitiba Brazil

The city of Curitiba's story illustrates how the introduction of a complementary currency helped an impoverished city leverage its untapped human resources to creatively solve a host of challenges and support recycling and environmental cleanup, job creation and city restoration.

Within 25 years of the program's inception, Curitiba enjoyed a GDP increase of 75% more than its parent state of Paraná, and 48% more than the GDP of Brazil as a whole.

Additional Reading

Complementary Currency Movement

Local Currencies Past and Present

What is Depression Scrip?

History of Money, 1930 – 1933

CONTACT

Michael Sauvante

805 757 1085

sauvante@scf.green

scf.green