

The Alternative Economy at the Regional Scale? Lessons from the Chiemgau

Peter North and Katinka Weber

INTRODUCTION

Ever since Marx and Engels produced their famous critique of what they called ‘utopian’, as opposed to ‘scientific’ socialism, orthodox Marxist treatments of economic alterity have been concerned that such experiments are doomed to failure. For Marx and Engels, social change occurs not when some genius or other develops a perfect model for a future society, but through mass action when capitalism reaches the limits of its productivity. Further, ordinary people, Marx and Engels argued, do not have the resources to ‘opt out’ of capitalist economies for long periods, and if large numbers of people did attempt it, then the forces of the state would stop them (Engels 1892/1968). Economic alternatives are “interesting, but not compelling”, and proponents of them are naïve, Pollyanna-ish romantics (Gibson-Graham 2002: 25). In short, experiments do little more than provide a brief glimpse of an alternative.

Marx and Engel’s pessimistic conceptualisations notwithstanding, contemporary alternative currency networks have emerged in a number of localities over the past thirty years or so. While they vary from country to country, at their heart is a network, members of which ex-

change goods and services with a form of currency they issue and value locally. The currency might be like a banknote, a cheque, or just an entry on a computer. By 1999 there were 303 Local Exchange Trading Schemes (LETS) schemes in the UK (Williams et al. 2001), operating with mixed results (Aldridge and Patterson 2002). Here, LETS gave their currency a local name, like the Bobbin in Manchester, Tales in Canterbury, Favours in Bristol, Brights in Brighton. In Australia, Canada, and New Zealand the networks exchanged green dollars (North 2002). In France, local money schemes called local exchange systems (*Système de Exchange Local*, SEL – grains of salt) proliferated, in Hungary, Talente or *Kör* (circles) (North 2006b). In the United States time-based local currency in paper form re-emerged in towns like Great Barrington, Massachusetts, and Ithaca, New York (Maurer 2003).

Ithaca Hours inspired an Argentine NGO, the Programme for Local Self Sufficiency, to develop paper-based alternative currency networks that involved literally millions of users across Argentina during the first years of the 21st century (North 2007). The EF Schumacher Society's experiments in Great Barrington were presented to the emerging Transition Movement (Hopkins 2008), developing citizen based responses to concerns about peak oil, climate change and economic austerity as a tool for building what activists thought of as sustainable and resilient localised economies (North 2010b). Paper based local currencies were established in a number of transition towns. As economic crisis hits Greece and Spain, many are following the lead of Argentines in establishing barter clubs to meet basic needs in crisis situations (Donadio 2011; John 2012). And also in Germany several types of *Tauschringe* and more recently, *Regiogeld* (regional money) schemes are in operation (Schroeder 2006; Thiel 2011).

As alternative economic practices, subaltern currency networks now have some track record, yet experiences are mixed. There is evidence both for and against the core Marxist critique of utopian economic practices. They are more than 'dwarfish', but only in two places – Argentina at the turn of the 21st century, and currently in the German

Bundesland of Bavaria – have significant numbers of people been engaged in significant amounts of economic activity using alternative currencies. The extreme social and economic crisis that hit Argentina after December 2001 makes the networks there a special case, as arguably are the contemporary schemes in Greece and Spain. In this light, the success of the scheme in Bavaria deserves some special consideration in view of debates about ‘capitalisms’ as opposed to ‘capital’ (Peck and Theodore 2007). For instance, what is provoking debate in the UK as its economy struggles to come out of recession are questions around the usefulness of Rheinisch capitalism such as that in Bavaria as an antidote to the pathologies of Anglo-Saxon neoliberal capitalism.

Can the UK learn from the region’s specificities such as its inhabitant’s strong regional identity, its local banks and its famous *Mittelstand* of family owned firms with longer investment time horizons and a stronger commitment to the health of the region (Studzinski 2013)? Having been united from a loose confederation of principalities and city states only in 1870, Germany also has a strong regional and local tradition that lasts to this day. Does German capitalism have something to say about conceptions of globalised capitalism and its power to reduce regional differences in economic forms (Gertler and Vinodrai 2005)? In particular, scholars look to the ways through which the *Mittelstand* is financed, especially by local and regional banks (Audretsch and Elston 1997). Can such alternative forms of financial institutions help to generate a vibrant community based sustainable economy? This chapter reports of findings from interviews with organisers and users of a regional currency in the Chiemgau region of South Bavaria.

THE EURO CRISIS AND REGIONAL CURRENCIES

The introduction of the Euro is a relatively new phenomenon, and given the crisis in the Eurozone there are concerns that a one-size-fits-all monetary policy set by the European Central Bank in Frankfurt cannot

fit the diversity of local conditions from Latvia to Lisbon. In other words, the extent that the continent of Europe is what Mundell (1961) called an 'optimal currency area' where the benefits outweigh the costs is debatable. The argument for the Euro is that replacing national with a continent-wide currency would be more efficient by reducing transaction costs for trade across borders, leading to more trade and, it is claimed, greater welfare. It would be easier to compare prices across space, driving costs down, and less uncertainty about exchange rate fluctuation means that businesses can make long term plans. The result is less uncertainty about prices. Finally, opportunities for speculation on fluctuations between competing currencies will disappear, preventing otherwise functioning markets from being disrupted by herd behaviour. A bigger, more efficient market will encourage more trade, more inward investment, more efficient location decisions, thus more growth. All this results in improved human welfare (DeGrauwe 2000). National economic sovereignty, Eurozone enthusiasts argue, is a chimera in an age of globalisation where Europe must compete with the BRICs, and the benefits of integration outweigh any costs by far.

More radical left voices have seen the EU more as a vehicle for corporate neoliberal forms of globalisation than as a utopian internationalist project making war between European nations inconceivable (Bainbridge et al. 2006). Their concerns have focused on the single market as a tool for big business to reduce labour and environmental standards, on the growth and stability pact that accompanied the Euro as a tool for disciplining national economies that do not sign up to the Washington Consensus of balanced budgets and fiscal 'responsibility' and 'stability' above job creation and the protection of working people's living standards.

In another context, Dinerstein (2001), following Bonfeld and Holmoway (1996), calls this the 'violence of stability'. Left critics argue that membership of the EU prescribes progressive nationalist projects like the UK Labour Left's Alternative Economic Strategy (Cripps et al. 1981) or 'Local Socialisms' of the 1980s (Boddy and Fudge 1984;

Mackintosh and Wainwright 1987), which looked to protect manufacturing industry from what we now know was the first wave of what Harvey (1992) called the ‘spatial fix’ of a crisis of capitalist productivity – the move of manufacturing to lower cost and lower regulated countries. The Cambridge economist Ha Joon Chang (2007) argues persuasively that weaker economies might want to protect and nurture their growing economic resources in much the same way as a family protects and nurtures its children: we expect them to pay their way at eighteen, but not at eight.

Greens share the left’s charge that the EU is more of a vehicle for neoliberal forms of globalisation than for internationalism and solidarity, but their concerns focus more on the role of the single market in privileging big, global business over smaller local firms trading in local markets and thereby contributing to local distinctiveness (Scott Cato 2006). The concrete benefits to ordinary citizens – beyond more convenient ways to pay for European holidays – are less obvious. The single market, greens argue, leads to a bland, standardised ‘clone town’ economy (NEF 2010) dominated by global brands (Simms 2007). They also point to the absurdity of the carbon emissions and avoidable consumption of limited fuel resources associated with identical products produced in one country and transported to another to be sold: for example, Dutch butter sold in the UK and British butter sold in the Netherlands (Woodin and Lucas 2004). They argue for a greater commitment to local, more self-reliant economies over global trade (Douthwaite 1996; Shuman 2001; Cavanagh and Mander 2004). While attachment to the local should not be conflated with a commitment to autarky or to xenophobia, critics would argue that they underplay the benefits of international trade and communication associated with progressive conceptions of globalisation (North 2010a). This scepticism about European financial integration has led many greens who feel this way to promote local currencies as a methodology for strengthening local economies as an alternative to integration.

And it is in Bavaria that this alternative regional project has advanced the furthest.

GERMAN REGIONAL CURRENCIES

Building on the experiences and limitations of the German equivalent of LETS, the first German Regiogeld, the Roland in Bremen, was established in 2001, followed closely by the Chiemgauer in Bavaria. In 2008 there were 28 regional currencies across Germany. German Regiogeld is an attempt to build regional currencies that operate as a real alternative to the Euro, stimulating new regional production. They seek to maximise local purchasing power and to strengthen the local economy by binding money to the district or region, keeping it flowing within the community. Their general aim is to establish an atmosphere of cooperation, to facilitate sponsorship of local NGOs and community organisations, and to build an economy that includes less monetary speculation and, in order to reduce carbon emissions, entails less transport – especially of goods that can be produced anywhere as they do not depend upon specific local climatic conditions or resources.

There is a rich literature on German regional currencies not available in English. In what follows we draw on this literature to explore this regional dimension of experimentation with alternative currencies. Many authors discuss regional currencies in relation to an increasingly globally integrated economy and assess their possible contribution to fostering sustainable regional development (e.g. Bode 2004; 2005; Gelleri 2005; Herrmann 2005; 2006; Meßenzehl 2006; Paech 2008; Spehl 2008; Volkmann 2009).

Niko Paech (2008) is an advocate of regional currencies as ways to transition to a post-growth economy in order to avoid dangerous climate change. He argues that while critics generally acknowledge that complementary currencies do stimulate economic circulation within regions, in aggregate, he argues, they stifle growth, as businesses do not benefit from trading across regions; i.e. they do not benefit from economies of scale. In contrast with more conventional economic analyses, he regards this as a benefit, highlighting the ecological (constantly rising CO₂ emissions etc.) and human costs (e.g. consumerism,

personal stress, unhappiness etc.) of a reliance on a growth economy and globalisation. Consequently, Paech sees regional currencies as a way to create socially inclusive, stable and ecologically more responsible economies, as “Regios [regional currencies] direct buying power from globalised markets to local economies, which strengthens the local demand for labour” (Paech 2008: 17).

Siglinde Bode (2004, 2005) considers the potential of regional currencies for the development of structurally weak regions within Europe, and in particular rural areas suffering from a lower density of inhabitants, few jobs for people with higher qualifications, high structural unemployment, and low income and capital among households. She argues that capital flows out of such regions as businesses settle in urban centres to take advantage of production facilities and infrastructure. Bode (2005: 5) argues that regional currencies may counteract such trends at least partly, by sparking off closed “regional economic circulation, to keep *Wertschöpfung* (added value) in the region”. She contends that while it will hardly be possible or desirable to separate regional economies entirely from other markets and regions due to the existing high degree of economic integration, regional currencies provide a mechanism for regional actors through which they can manage, or direct their economic exchanges with centres in ways that suit them (2005: 8). Good, beneficial connections that strengthen and are welcomed by both parties can remain, while connections that funnel wealth from weaker to stronger regions can be managed, or even closed.

In a similar line of argument Herald Spehl (2008) highlights the potential import substitution effect of regional currency schemes, and linked to this, their potential to be part of an endogenous development strategy. As they lead consumers to buy more regional produce and the money is, in turn, spent with regional suppliers and service providers, there is a tendency to replace certain imports. The scope of this depends on the level of participation of local entrepreneurs and their ability to supply goods that previously had to be acquired outside the region (Spehl 2008: 22).

In turn, Eva-Maria Hubert (2007) focuses on regional currencies as a much neglected dimension of citizens' responses to problems within markets. Neoliberal analysts argue that there are limits to the effectiveness of state intervention, and advise a combination of deregulation and privatisation. In contrast, Hubert notes that in recent times citizen initiatives (including regional currency projects) have taken it upon themselves to deal with the problems of entrenched markets in the energy sector with practical, community-based entrepreneurial initiatives as alternatives to privatisation into the hands of the big energy companies (e.g. the community-based power station in Schönau or the energy cooperative in Delmenhorst). She argues that in a similar way, complementary currency schemes seek to "ensure regional economic circulation, promote the generation of added value in the region, strengthen small and medium-sized enterprises, and secure the basic supply [of goods and services] of the population in the region" (2007: 25). In addition, she argues that in this way civil society assists the state through corrective action to ensure a balance between the public and private sectors of the economy, in ways that strengthen communities rather than big business (2007: 27). This, she argues, secures a balanced economy for future generations.

Analysts of German regional currencies point to a set of economic advantages of such schemes. Firstly, they note that regional currency schemes encourage the formation and strengthening of networks between regional producers, suppliers, traders and consumers, as participants look for regional trading partners, perhaps replacing those further away (Bode 2005: 7; Spehl 2008: 22). According to Bode (2005: 5, 7), this minimises capital flight as the surplus value generated through these chains stays within the region, allowing at least for a partial independence from the global economy.

Secondly, authors note that such schemes promote small and medium sized businesses, which already form the backbone of the regional economy (Bode 2005: 5). This, they argue, counteracts the entrenchment of regional markets, the merger of companies and formation of large business corporations. This is also beneficial as the latter are

linked to a waste of resources and the reduction of local variety in businesses and goods (Hubert 2007: 25). The fact that businesses using regional currencies have access to a tool that enables them to withstand international competition, and are not under the same pressures to continually generate growth, means that relations between them, with their suppliers, and with their customers may be more 'cooperative' (Bode 2005: 8; Spehl 2008: 23), and competition may focus on ideas and innovations rather than on reducing costs, deregulation of labour or environmental standards, or increased levels of exploitation. In contrast, analysis argue that regional currencies may facilitate the creation of new lines of production (Bode 2005: 5, 7), including products and technologies suitable to smaller economic spheres (Herrmann 2006: 15). Moreover, they ensure variety, which is crucial to maintaining and increasing consumer sovereignty and freedom of choice. Hubert (2007) notes that while regional currencies disadvantage businesses which cannot for operational reasons participate in the initiative and may thus be suboptimal under the liberal free-market paradigm, their positive attributes outweigh this.

Thirdly, regional currency schemes may not only foster variety, but also resilience: they have the potential to secure the basic supply of goods and services to the population in the region, for instance, in case that transport networks are interrupted through disruptions in fuel supplies (Hubert 2007: 26). Spehl (2008: 23) highlights their potential in stimulating the decentralisation of energy supplies, which he sees as a necessary element of regional development in the light of rising energy costs, and adds that they may also decrease dependency on unsustainable fossil fuels and on nuclear energy which, post Chernobyl and Fukushima, raises obvious safety issues. Herrmann (2006: 15) provides some evidence for positive developments in this area, as well as for the thesis on the development of networks: stimulated by the Chiemgauer, the RegOel project in the Chiemgauer region supplies vegetable oil as fuel to farmers who are looking to find opportunities to spend their Chiemgauer. The initiative also managed to find a local company to convert tractors so that they could run on the oil.

Fourthly, authors argue that examples of regional currencies demonstrate their potential to raise levels of demand and supply in regional economies, which may also positively affect job opportunities and conversely lower unemployment. Herrmann (2006: 15), for instance, notes that from April 2004, the year the *Sterntaler* (a regional currency in Berchtesgader Land, a neighbouring region to Rosenheim and Traunstein) came into existence, until March 2005 the *Sterntaler* had created eleven jobs. Finally, some authors argue that they have the capacity to minimise the likelihood of economic crises in the future. This is as on the one hand because they are not subject to the speculative pressures that are integral to the globalised economy (Herrmann 2006: 15; also see Lietaer 2000: 111), and on the other, because economic processes are easier to grasp at a regional level, the outcomes of economic behaviour are visible much faster and risks can be dealt with more quickly (Herrmann 2006: 15). More-over, due to each participants' local knowledge and his/her personal sense of responsibility, there is a heightened social control and transparency of processes that generates added value (Hubert 2007: 25).

Beyond a consideration of the economic impacts of local currencies, authors also point to a set of positive social and environmental outcomes emerging from their use. A first issue they stress are the positive ecological effects given that regional, as opposed to globalised economic circulations entail shorter transport routes between production and market (Herrmann 2006: 15; Hubert 2007: 25; Spehl 2008: 22) relieving perhaps over congested transport networks. Here, regional circulations financially benefit the state, as road, train and shipping networks do not have to be expanded or strengthened (Hubert 2007: 26). Following on from this, authors highlight a second aspect, namely the potential educational aspect of the schemes, as participants come to support "the movement towards informed, environmentally friendly consumption" (Hubert 2007: 27). This contributes to personal development as participants are engaging with questions about "what money actually is, how one uses it, what type of consciousness relates to it" and "which types of development ... are linked to different types of

money and their uses” (Spehl 2008: 23). The result is a more socially engaged citizenry, and markets that are socially inclusive as consumers respond adversely to pathological or antisocial behaviour on the part of the businesses they patronise.

A third set of positive social and environmental aspects of the schemes are their potential for “creating identities as well as the promotion of regional communities through the development of social networks” (Bode 2005: 9). In regional money schemes such as the *Chiemgauer* and the *Sterntaler*, users name a *Verein* (association) that will financially benefit from the use of the currency. Evidence from a study of these two schemes shows that currency users demonstrate an increased level of involvement in *Vereine*, and that through their engagement with the currency entrepreneurs knew more about *Verein* activities and those of other businesses involved (Herrmann 2006: 16). The opportunity to meet regularly further strengthens personal and business networks and their *Gemeinschaftsgefühl* (their feeling of community, or belonging together). Herrmann (2006: 16) notes that “you can also observe a heightened predisposition to cooperate between regional businesses and a strengthening of regional identity through RGIs [regional currency initiatives]. Therefore the regional currency has a strengthened information and communication function that the Euro does not exhibit”. Consequently, these authors argue that these regional currencies strengthen local and regional social capital (Hubert 2007: 26; Spehl 2008: 23).

These accounts are extremely optimistic about the economic potential of regional currencies. Bode (2005: 9) argues that successful regional currencies could significantly “raise the attractiveness of regional living spaces”, because of the variety of available “products and services, ecological qualities, diversified employment opportunities and the social and economic interrelations”. Hubert (2007: 26) notes that in the light of a situation where market dynamics force individuals to be increasingly flexible and mobile, such schemes can “contribute to societal coherence and counteract the fragmentation of society”, thus, he argues, addressing the existential loneliness which can make citi-

zens susceptible to far right, populist and perhaps xenophobic political movements.

Despite these hopeful and positive evaluations, authors also point to obstacles to the realisation of the claimed potential of regional currencies. In an economic crisis, falling incomes may result in a lower aggregate regional buying power, especially in distressed regions. This may mean that economically constrained consumers are not prepared, perhaps not able, to pay a premium for potentially more expensive regionally-produced products. Moreover, it may be difficult to change existing patterns of consumption. The added value of regional currencies may need ‘explanation’, which involves a significant input of initiative and labour: “to gain a critical mass of transactions carried out in the regional currency, one has to have raised consciousness among a large mass of inhabitants” (Bode 2005: 8). And despite such efforts, competition between regions and with other global markets is likely to persist. This last point is partially supported by Muriel Herrmann’s (2006: 15) findings in a study of the *Chiemgauer* and the *Sterntaler*. While entrepreneurs noted that as a result of their participation in the schemes, they spent more money in the region and felt that their participation had strengthened their comparative advantage against locally operating global businesses, she did not find evidence that a majority had switched to regional suppliers.

Many questions remain with regards to the scope and possibility of regional currencies. It remains to be seen, for instance, how far a region can realistically shed its dependency on globally produced products, what trading patterns emerge and how they affect the region, and how these may integrate the social and economic functioning of the economy (Bode 2005: 9). In particular, what is also not entirely clear is the extent that regional currencies can actually *build* regional networks, create consumer awareness, cooperation, solidarity and a *Gemeinschaftsgefühl*, and foster medium-sized businesses where they do not exist. How far is the pre-existence of (at least a minimum) of such elements in a region a pre-requisite for the success of a regional currency: is the existence of a strong regional currency a manifestation of, or

a generator of, a strong regional economy composed of locally-owned banks, businesses, food and power production? A crucial factor is also the consideration of what geographical area must constitute a 'region' in order for schemes to operate successfully. All this must also be considered in relation to the economic rules and regulations behind regional currency schemes. We can discuss these issues with a consideration of the actually existing experience of Germany's most successful regional currency in the Chiemgau, Bavaria.

CHIEMGAUER

It is in the Chiemgau that we see the potential benefits of regional currencies discussed above realized to their greatest potential to date. Chiemgauer regional money circulates in an area of 100 kilometres around the lake Chiemsee in the south east of Bavaria. The aim is for Chiemgauer to circulate in an area small enough to have some coherence, regional identity and to be considered 'local', but big enough to include a wide enough variety of businesses that enough people use it for day-to-day purchases such that it makes a difference to the health of the local economy, and makes it possible to reduce emissions associated with transporting goods needlessly from place to place. This is achieved by working at a geographical scale large enough to facilitate enough business circulation that, the hope is, the average user of the currency can buy 50% of his or her requirements with it.

Secondly, Chiemgauer aims to circulate at a greater velocity than the Euro. Chiemgauer builds on a long history of monetary reforms based on the ideas of Austrian Rudolf Steiner and the Argentine-German money reformer Silvio Gesell (1958), who developed arguments in favour of the abolition of interest and for 'free money'. Gesell identified interest as the prime pathology of the capitalist system, and advocated interest-free banking. His ideas inspired the so-called *Freiwirtschaft* (free economy) movement in post-World War One Germany, which established the *Wära-Tauschgesellschaft* (Wära Exchange

Association; the expression Wära comes from the German words for currency, *Währung*, and goods, *Ware*). The movement issued its own currency notes, interest free as a response to Germany's financial collapse and subsequent experiences of hyperinflation after the punitive post war Versailles settlement (Fisher 1933).

With the arrival of the depression in 1929 the owner of a coal mine in Schwanenkirchen, Bavaria used Wära notes to reopen his mine, with the Wära passed on to local merchants, then to the wholesalers, then on to the manufacturers who returned to the coal mine for coal. Gesell-inspired scrip notes issued by local authorities or business associations spread to other towns in Germany, Austria and Switzerland. In 1932, the town of Wörgl, Austria, used them to fund public works for unemployed people who spent the notes with local merchants. In turn, these merchants returned the notes back to the local authority as payment for local taxes, before being passed on again by the municipality to unemployed people (Dauncey 1988: 282n). Local state employees were paid 50% of their salary in scrip, inscribed with the words "They alleviate want, give work and bread". The notes could be exchanged for cash, but a service charge was levied that was greater than the costs of passing the note on.

Stamp scrip took on Gesell's ideas for *demurrage*: scrip could be banked or spent locally like ordinary cash, but it had to be 'validated' with a stamp purchased each week. After 52 weeks the note could be exchanged for cash by the local authority, using the receipts of the weekly stamps. If the note was not passed on, the holder of the note would still have to purchase the weekly stamps or the note would be worthless, so it was obviously in his or her interest to purchase something with it rather than hold on to it. Demurrage was intended to increase the velocity of circulation, as 'slow money', hoarded rather than spent, was regarded as the cause of the depression. The politics of the Wörgl notes are clear from the inscription on the back of the scrip:

"To all. Slowly circulating money has thrown the world into an unheard of crisis, and millions of working people are in a terrible need. From the economic

viewpoint, the decline of the world has begun with horrible consequences for all. Only a clear recognition of these facts, and decisive action can stop the breakdown of the economic machine, and save mankind from another war, confusion and dissolution ... Men live from the exchange of what they can do. Through slow money circulation this exchange has been crippled to a large extent, and thus millions of men (sic) who are willing to work have lost their right to live in our economic system. The exchange of what we can do must, therefore, be again improved and the right to live regained for all of those who have been cast out.” (Fisher 1933: 25)

The free economy movement then was centred on the area where south Germany, Austria and Switzerland meet – the Chiemgau. Drawing on Gesell’s inspiration and the legacy of local currency experimentation in these three German speaking lands, the Chiemgauer adopted demurrage. It ‘ages’ or ‘rusts’ 2% per quarter of a year; 8% per year. Every quarter, those holding the notes must buy a sticker to be attached to each note, costing two cents per Chiemgauer. As no one wants to have to pay the cost of the sticker themselves, the incentive is to spend it before the due date. Local activists argue that as a consequence the local currency circulates three times faster than the Euro.

Clearly reflecting Steiner’s influence, the Chiemgauer was developed as a Steiner school project through which the school hoped to strengthen connections with and boost sponsorship from local businesses. Believing that the conventional money system does not work well for small businesses, the school students worked with local companies to develop the project over three years, until it became an independent project in 2005 and the organiser Gelleri left the school to work full time on the Chiemgauer currency. Christian Gelleri’s role and trusted status within the community was important. As a shopkeeper who was an active user of Chiemgauer put it:

“It works relatively well here because there is somebody behind it, Mr. Gelleri ... He does the publicity for the Chiemgauer, he supports it, he organises information events. He tries to recruit companies that participate, so there is

very aggressive advertising behind it, too. That is why it works so well here.”

Gelleri has been proactive in making sure that business users of the currency have been supported. He visits businesses regularly to troubleshoot and explain the Chiemgauer and its workings in a way that as another regular user put it “one really understands it, so that one ends up having a really good feeling doing it”. Gelleri was described as having the empathy to be able to explain the concept to potential businesspeople, and this was an important aspect in the decision to use it.

As the project developed, five district offices were set up, through which Chiemgauer could be issued and redeemed. By 2013 there were 66 issuing points, including a number of voluntary and community associations. The currency is linked at parity to the Euro, meaning that the complications associated with linking the currency to time are avoided. It is issued in notes denominated 1, 2, 5, 10, 20 and 50 Chiemgauer, printed on special banknote paper and with 14 security features. Local images are printed on the notes, nodding to local pride. Users of the Chiemgauer buy them from an issuing office or non-profit-making agency, spending them with the more than 600 participating businesses. Voluntary and community associations that act as issuing agents can buy 100 Chiemgauer for 97 Euro, keeping the balance when they issue them to others. Businesses themselves can spend them with other businesses or non-profit-makers, or redeem them for Euros at one of the district offices. If they do the latter, they get 95 Euro for every 100 Chiemgauer. 2% of the deduction is used to fund the programme, while 3% goes to fund and support local *Vereine*. This support – currently, 260 *Vereine* are involved in the programme – is a major attraction. A chemist who accepted Chiemgauer put it thus:

“It is fun because you have an association that you support, a Verein, so you have this feeling of reward when you do your purchase. You have a more positive experience. So you have your club, in my case it is a rowing club which is

just being established in Rosenheim, and I support it with the percentages. And I find that positive; it gives you a good feeling.”

A debit card has been introduced with the result that an average of 35% of Chiemgauer transactions are electronic, with some popular businesses processing 80% of their Chiemgauer transactions in electronic form. The move from paper to card reader was funded with a regional development grant, and managed in cooperation with cooperative and state banks. The involvement of the local banks makes day to day use of the local currency easier. One respondent said:

“We have a cafe opposite us and I can buy my coffee and cake there with my Chiemgauer, if I want to; I can spend it in the organic market, in the shop; but because we get a lot of Chiemgauer we take most of them to the bank. The Sparkasse, the largest bank in Rosenheim also cooperates in with the Chiemgauer and offers Chiemgauer customers a bank account for free. So you can take the money there and then swap it back into Euros. I can’t spend thousands of Chiemgauer in other shops each month ... In the past this was much more complicated. You had to swap the Chiemgauer in small bookshops, in small shops. In the past it was much more exotic. But now, the manager of the Chiemgauer organisation has taken a very good step by taking on the Sparkasse and they cooperate with him. The Sparkasse Rosenheim is a very large institution, not in terms of their financial turnover, but in the sense that they have a very large customer base. You can now get Chiemgauer there and swap them back ... This is a very good and easy solution, good service ... If I have a thousand Euros in my till, I can also take along the Chiemgauer, there really is no difference, really great ... You go to the same [bank] counter and then it’s done.”

This is evidence for the thesis that Germany’s local banks support the generation of regional economic activity: but it is not to say that they necessarily supported radical innovations like Chiemgauer. Gelleri responds that at first they were resistant, and he had to work with an eth-

ical, not a local bank. Only in time did the *Sparkasse* become involved, once demonstrable successes had been achieved.

The Chiemgauer local currency scheme is notable for its rigorous collection of data on how the currency circulates, and the way this data is made public. In December 2009, around 2,500 consumers a month changed 100,000 Euro a month into Chiemgauer, which produced 3,000 Chiemgauer for non-profit-makers. Some 98,000 Chiemgauer a month are eventually returned to the issuing offices, but only after they have circulated around the community. 70% of Chiemgauer are spent again, not redeemed. In 2009, 314,516 Chiemgauer were in circulation, having risen to 675,799 in 2013. Based on a sample of participating businesses, the project claims that since its inception Chiemgauer has turned over the equivalent of 8.6 million Euro, of which 3.9 million was in 2008, up to 5 million in 2010 and 6 million in 2011.

STRENGTHENING REGIONAL PRODUCTION

Gelleri argues that one third of the trades facilitated by Chiemgauer, worth the equivalent of some 600,000 Euro, is trade that would not otherwise have happened, and which strengthens the local economy. For example, food shops prefer local apples as they can pay for them with Chiemgauer, which has stimulated local apple production. Apple juice is no longer imported from North Germany. Money stays local, and is used to facilitate more production. A circle with a radius of 70 to 100km seems to combine ‘local’ with enough of a range of production to make enough goods and services purchasable with the currency. This conception of the ‘local’ is conceptualised in bioregional, not human administrative terms. It is also a pragmatic decision. Production should be as local as possible, with regards to consumer choice. Asked when a given product stops being ‘local’, we got the following response from the manager of a small organic supermarket that accepted Chiemgauer:

“We do try to stay within Germany with the products, where it works. So we would never import milk from England or buy butter from Poland, we would never buy eggs from Russia. What is produced in Germany, we buy in Germany, what is produced in the region, we buy in the region; everything else that you cannot get, we have to buy in ... Austria belongs to the region. ... We have our headquarters in Trostberg, we took a compass [and] we said 100km surrounding Trostberg is the region and Austria is [therefore] part of it.”

Given that an active user of Chiemgauer currencies can meet most of his or her needs, this seems to be an acceptable bargain between conceptions of the local, and economic efficiency. Thoughtful businesses understand that the more people who accept the Chiemgauer, the greater will be the possibility that they can spend all the currency they earn, it stays local, and the business will attract repeat business. They put it thus:

“We hope that the customers [who use the Chiemgauer] buy more, or actually come here more often. That they think, ‘I like it there’ and that they come back. Maybe they would not come at all, if we did not accept the Chiemgauer.”

As already indicated, the Chiemgauer can be changed back to Euros with a discount of 5%. This amount seems to be high enough to encourage businesses to try to spend the currency, but low enough that the business feels comfortable that it will not lose too much if it has to reconvert stocks of unspendable regional currency back into Euros. One respondent, the manager of an organic supermarket, explained how this works:

“We specialise in engaging small (local) suppliers because we are a regional bio (ecological/organic) retailer. We try to get as many products as possible from within the region ... Our company was founded in line with [the idea] of commercialisation of regional products and everything that’s associated

with this. So we search for producers that produce good quality products and we try to convince them to change their production to bio (ecological) products. So we have somebody who was a bio (ecological) inspector, and we go around and say 'listen, you have a great product, change to ecological production for us'; this also means that we buy his products, we naturally then also try to get him to use the Chiemgauer, so everything that has to do with regional commercialisation, including the Chiemgauer, we are trying to let this grow within the region ... We have to be pro-active and say 'we look for it, and this is how we want it'. We have 25 to 30 small suppliers and five wholesalers that supply us with the standard range and the rest we do ourselves."

This active user of Chiemgauer recognised the added value of the local.

"We are trying to market the products from the region, they are qualitatively better, cost more, the customers know that, we explain to the customers why this is. We say that the man behind [this product] is a one-man business. ... It is all produced through artisan techniques. The customers appreciate this, because they know who is behind the product."

STRONG SOCIAL CAPITAL AND 'EMBEDDEDNESS'

Does the currency work so well because the environment within which it circulates is conducive to it? Chiemgau is a very wealthy part of Bavaria, a part with a strong regional identity. Respondents said:

"It is a region of strong growth. Take the house prices for example here in Upper Bavaria: in Bavaria, there is a distinct north-south divide; if you look at Franken, from the northern part of Bavaria, towards south, the further south you get into the Alpine region there is a big population pressure ... In addition, we have very low unemployment figures."

Respondents also pointed to the high quality of life in the region: “It’s the leisure value, it’s the mountains, the lakes, the proximity to Munich, to Italy, to Salzburg.”

In addition, they pointed to a strong tradition of mutual aid:

“They say that the farmer here builds his house with friends. But really, I have a helped a friend of mine who is farmer to put the roof on ... Ten of us helped him to put the tiles on the roof. That is really very rural and I think that you have to experience it from that kind of angle.”

The Chiemgauer’s success builds on and now strengthens a strong tradition of regional sourcing and regional cooperation of businesses, which is typical for most of southern Germany. Rural Bavaria has successfully resisted the destruction of small businesses by ‘big box’ and chain stores. Chiemgauer users feel that the local character matters:

“Well, this certainly plays a role. I am from Baden-Württemberg. I was very surprised when I moved to Bavaria four years ago, how it really works here with all the social networks. Baden-Württemberg is not really known for that; I don’t really think that it [a regional currency] would work there ... Many people that live here simply support their region, thus they support the regional currency.”

Perhaps what the Chiemgauer does best is to manifest this type of social capital to outsiders. This respondent went on to talk about regional currencies in other parts of Germany, for example in the Black Forest. He noted that they have some trouble establishing themselves, arguing: “the people there are different; they did not really have the enthusiasm”.

An obvious barrier to the attractiveness of a new form of currency linked to the Euro is that potential users need first to decide that they want to use a new form of currency, and then make the decision to proactively go to one of the issuing stations to change Euros into Chiemgauer, which might not be convenient. Further, prospective users

are asked to change Euros, universal money that can be spent everywhere, into Chiemgauer, which cannot. What is the incentive? There is no clear benefit apart from an altruistic or political commitment to your community and region and the chance to endow your favourite voluntary organisation. So in all likelihood, it is the pre-existence of strong local Bavarian culture means that it is more likely that people will be well disposed to something that strengthens that culture. Consequently, even in this region the attraction is not universal: it is only to those who value such aspects who participate in the scheme. One informant, running a business that had five Chiemgauer customers a day out of an overall customer base of up to 500 a day argued:

“It is a very specific group of customers; we will not make this system fit for the masses, for that there are too few conscientious consumers. I do believe that very specific people support this scheme ... It is not necessarily something for the masses, because the people are far too comfortable to have two types of currency in their wallet; to have another bank account for the Chiemgauer. The social commitment of the people is unfortunately not big enough to do that ... I think that we have to free ourselves from the idea that it leads to a large turnover, but the interesting thing is the structure of the customer base.”

‘RUSTING’ – PROBLEMS AND OPPORTUNITIES

From a conventional economic perspective written for the German Bundesbank, economist Gerhard Rösl (e.g. 2005; 2006a; 2006b) has argued that the danger that follows is Gresham’s law: ‘bad money forces out good’. If customers decide to spend (‘inferior’, local) *Regiogeld* and keep (‘superior’, universal) Euros in the bank they are effectively moving Euros out of circulation, and if this was taken too far it might lead to a drought of Euros and an ‘inferior’ supply of money.

In this situation, a business might end up in a position whereby it has to accept a currency that is not accepted everywhere and which the

business cannot itself re-circulate, instead of the universal currency it would otherwise have accepted and can spend. If this is the case and if these businesses are already operating with tight margins, then this can be hurting the very people you want to help – a perverse effect of a local currency scheme. The solution would be the business limiting the amount of Regiogeld it accepts to a manageable amount, perhaps seeing it as a discount promotion bringing in some new customers. But this would rather miss the wider point. This exchange, in an organic supermarket that carried out some 10% of its turnover, illustrates the debate. This business spent large amounts of Chiemgauer, and did not lose 5% through demurrage or changing back:

“We have to use it within a year. So, either I leave it in my bank account where it remains for a year and then I lose 5%, or I spend it within the year (and) I do not lose anything. Because we take the Chiemgauer in the shop as payment we can also pay our regional suppliers with Chiemgauer, so it remains in circulation ... We say: ‘Well, we buy that much from you, let’s say for two-thirds Euros, one-third Chiemgauer’, so that we can also get rid of ours; so that we can get the circulation going ... We ask our wholesalers ‘Can we pay in Chiemgauer? Do you have suppliers that you can pay with Chiemgauer?’ ... We also have small bakers that produce bread for us who say ‘Well, two-thirds Euro, one-third Chiemgauer’, so that the circulation can be sustained ... There are many shops here that accept the Chiemgauer, that’s to say, our suppliers can get rid of their money. Only if it builds up, if a single person gets a huge amount of Chiemgauer this can be a problem.”

Q: And in time, what if your suppliers said: more Euros, less Chiemgauer?

“Yes, that can happen, if it gets too much then they say that ... The last one who has no one which would accept the Chiemgauer, that’s the one who loses. [But] for example, if we take apple juice, the person who produces the apple juice might spend a bit in the cafe, might bring it back here to buy goods from you, so it goes round again, or buys some shoes ... It’s not that you end up the last in the chain.”

Of course, many business owners and customers never see the value of a local currency. Comments from non-users included:

“I take all the credit cards, why do more? ... Not many people use them.”

“People don’t want it, why compete further?”

“Customers demanded credit cards so I got them, they aren’t demanding Chiemgauer. If they did I’d do it. But there is no demand, so why do it?”

An interesting perspective comes from a 200 year old shoe shop that sells locally-made shoes, the sort of business Chiemgauer users might be attracted to, and one that might share the Chiemgauer ethos of strengthening local production. The owner was articulate in his opposition; to the question whether he used Chiemgauer was a loud “No!”. He explained that his business is founded on local trade anyway, he did not want to grow it further, and he did not want to be ‘coerced’ into accepting Chiemgauer. He argued “I have enough on my plate keeping a business going without dealing with that. It’s a hassle: why do it? I buy from local businesses anyway.” Similarly, other businesses could feel:

“Some customers very much support the currency and think it is a good thing, while others perceive it as a hassle, because of the way the money has to be handled; i.e. that you have to buy a certain amount, that you have to keep topping up its value, and that you lose 5% when you swap it back into Euros. Many customers find this too complicated.”

Even future supporters argued: “I was skeptical because I was thinking about the administrative efforts, the additional work; you have to count them along with your cash. You have your cash and then you have something else; you have to document it in your books and count it. That means that there is automatically more work. So I was skeptical at first.” It took the persistence of Christian Gelleri to overcome this reticence.

CONCLUSIONS

We know that regional currencies in Germany circulate at the regional scale, which seems to be a large enough scale to enable businesses to spend the Regiogeld they take in, and customers to meet 50% of their needs using alternative currency schemes. Chiemgauer circulate in a wealthy part of Germany with a strong regional identity, a tradition of “doing things differently”, and strong social capital. So, is the success of regional currencies dependent on a pre-existing network of locally-owned, independently-minded businesspeople and local banks? Or, can a local currency help *build* such a local infrastructure where it doesn’t currently exist?

While we cannot yet provide a definite answer to the question, our findings indicate that the pre-existence of these factors is important to the scheme’s success. Moreover, the involvement of local banks seems to have had an important legitimising effect, and made transactions smoother, so we do see fairly large scale usage of an alternative economic project. As has been noted, crucial is also the role of Gelleri himself, a locally well-known, well-connected and charismatic character who is prepared to put labour into the scheme and drives the education aspect. His efforts to convince citizens and business owners of the scheme’s viability are evidently important.

Critical perspectives on regional currencies from an orthodox perspective assume that ‘universal’ currency is superior and a local currency is inferior just because you cannot spend it everywhere. It is a perspective wedded to globalisation, ignoring the fuel burnt and carbon emitted in the process. The arguments for transitioning towards a more localised low carbon economy are not on the radar. Chiemgauer seems to have broken out of this trap by circulating at a scale that means enough businesses accept it to enable them to spend on their Regiogeld with their suppliers. Gelleri indicated that a next step is to deepen this process by boosting the amount of local production, through Chiemgauer loans. This would foster new businesses

to carry out import substitution. The process should be followed closely and the scheme deserves further scholarly attention to see whether local resilience is genuinely strengthened through regional currencies.