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## PATHWAYS TO IMPROVEMENT. SUCCESSES AND DIFFICULTIES OF LOCAL CURRENCY SCHEMES IN FRANCE SINCE 2010

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### ABSTRACT

This text contemplates the difficulties of French local currencies and the pathways to improvement, in the event of greater sustainability at the local level. After a panorama of the French local currencies, and the observation of a disappointment from a quantity viewpoint, the paper discusses requirements and improvements for a local currency (LC) to contribute to a greater sustainability at the local level. It presents the notion of the relevant territory for a local currency. It then discusses a few crucial points of improvement and the difficulties they face: the role of local governments as major partners; the need for employees in order to constitute a permanent basis for the scheme's activity and development; the need for an digital counterpart of the currency; the need for financing activities. The conditions for a ripple effect are eventually discussed.

### KEYWORDS

local currencies; improvement; sustainability; ripple effects; France

## 1. INTRODUCTION

Associative local currencies (LCs) for market activities have emerged since 1991 in the West, with the first experience of the Ithaca Hour in the United States. They have since spread to reach France in 2010, after an important evolution in their features and experiments in a few countries. They are local and associative since they are implemented locally from largely autonomous orientations and decisions by people who have been brought together for a locally social purpose. They mostly target market activities, because they are intended to be accepted by market providers. They are backed by reserves in Euros and anchored to it by a fixed rate, allowing businesses to convert them back under conditions – that is a major change compared to the model of the Ithaca Hour.

In the mid 2010s, the LCs in France generally referred to one or both of the two existing networks: the “SOL Movement”, which is rooted in a co-op and is the result of the original SOL project in the second half of the 2000s, whose experiments eventually failed while giving birth to a huge dynamics of new local currencies initiatives; and the “complementary and civic local currencies network” (MLCC, for *Monnaies locales complémentaires et citoyennes*)<sup>1</sup>, which arose from a challenge with the original SOL project (Fare, 2011). This second network produced a Manifesto<sup>2</sup> which sets out four objectives: “strengthen the social link through our exchanges; encourage local consumption primarily by proximity and quality short circuits; encourage initiative, autonomy and entrepreneurial responsibility; refuse speculation”. These objectives fall within “a transformative vision to ensure transitions to a fair and sustainable way of life.” This manifesto was signed by 14 projects of which 9 correspond to LCs in circulation in France, over 27 ongoing experiences at the beginning of 2015.

Kim, Lough and Wu (2016) compared five schemes in North America and in the United Kingdom and delineated what conditions and strategies favoured their success. Our approach is different, though complementary, since we try to assess why the French experiences are quite deceptive so far and discuss pathways to improvement.

The text is rooted in monitoring the French experience since the implementation of the original SOL project in 2007 and from the first “complementary local currencies” in 2010. In particular, it is based on participating in workshops, conferences, debates and symposiums since 2011 and on interviews completed from 2012 to 2017 with a dozen managers of associative projects<sup>3</sup>. The methodologies for selecting providers and their actual nature were reviewed in particular in previous works (Blanc and Fare, 2016a), and the resources mobilized by these projects (Blanc and Fare, 2016b), after characterizing the associative monetary projects in general as social innovations (Blanc and Fare, 2012) and reviewed their difficult relationships with local authorities (Blanc and Fare, 2013). Lastly, this work is based on the own compilation of statistics on the currencies studied and their aggregation on a national level. After having laid out research hypotheses, they were confronted with the actors’ analyses through individual interviews.

Section 2 presents the LCs studied from an inventory of ongoing and completed experiences and their main characteristics. The accumulated experience to date seems disappointing: it seems that the circulation of local currencies has never reached a level such that significant changes would be identifiable regionally. The rest of the paper tries to discuss requirements and improvements for a LC to contribute to a greater sustainability at the local level. Section 3 discusses the notion of the relevant territory for a local currency. The currency should circulate largely within this territory so that it connects a significant number of actors from a variety of activities and mobilizes

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<sup>1</sup> This was firstly a network of “complementary local currencies” (MLC, for *Monnaies locales complémentaires*). The mention of a civic dimension was added later (in 2016), in order to emphasize the bottom-up approach that should distinguish them from other sorts of local currencies.

<sup>2</sup> The sole purpose of the Manifesto “is to establish clearly the links between the different complementary local currencies by declaring the common values to which they adhere, without undermining the individuality of each of them.” This was discussed during the bi-annual national meetings and adopted in May 2013 in Villeneuve-sur-Lot.

<sup>3</sup> Interviews carried out with representatives of the SOL alpin, the SOL Nord-Pas de Calais and the SOL violette, the Bou’SOL, of the Occitan, the Abeille, the Roue, the Luciole, the Mesure, the Cigalonde, the Déodat, the Elef, the Heol, the Doume, and the Mouvement SOL.

actors from the territory. Section 4 discusses a few crucial points of improvement and the difficulties they generate: the role of local governments as major partners; the need for employees in order to constitute a permanent basis for the scheme's activity and development; the need for a digital version of the currency; the need for financing activities. Section 5 discusses the conditions for a ripple effect. Section 6 concludes.

## 2. A PANORAMA OF THE FRENCH LOCAL CURRENCIES

The LCs studied are third generation associative currencies (Blanc, 2011). This generation started with the Ithaca Hour in 1991 from observing the failure of the implementation of a LETS, and limitations induced by the principle of mutual credit for developing transactions including business providers. After an adaptation of its principles (allowing for conversions and cutting the link with time), it experienced a boost in the early 2000s with the German Regiogeld cases (Geleri, 2009; Thiel, 2012; Volkmann, 2012) and the Brazilian community banks cases, on the Banco Palmas model (Fare, de Freitas and Meyer, 2015). In the second half of the 2000s, it appeared in Great Britain with the local currencies of a few "Transition towns" (North, 2010; Ryan-Collins, 2011), then in France, very early in 2010 with the first cases of the so-called "complementary local currencies". The broad dynamics of complementary currency projects in France from the beginning of the 2010s mostly falls within these local currencies. The first experiences emerge in conurbations of a few tens of thousands people (Abeille in Villeneuve-sur-Lot, Occitan in Pézenas, Mesure in Romans) or in a sparsely populated rural setting (Bogue and Luciole in the southern part of Ardèche) before approaching larger conurbations (Heol in Brest, MUSE in the urban community of Angers, SOL Violette in Toulouse), embracing a whole region with rural areas and conurbations as well (Roue in the department of Vaucluse, including Avignon; Eusko in the Basque country,), and reaching in 2015 the big city of Lyon and its urban and rural surroundings (Gonette). This type of currency has proved to be highly dynamic with 44 ongoing experiences at the end of 2016, and tens in the project stage (Figure 1, Table 1).

The unit of account is defined at par with the Euro. The currency is issued by euro conversions, the users (individuals who consume) being sometimes encouraged by an enhanced rate (e.g. 21 units of the local currency for 20 euros, as in the cases of the Elef, the SOL violette and the Bou'SOL). Outflows are possible but restricted to providers (traders, producers, non-profits and other organisations). These models target people's daily consumption habits and are therefore based on the acceptance of the local currency by providers. They also intend to promote inter-providers transactions in order to extend their action to the business practices and avoid outflows. However, as very few schemes implemented a digital version of their currency (contrary to British cases), B2B transactions are notably hindered by the use of notes.

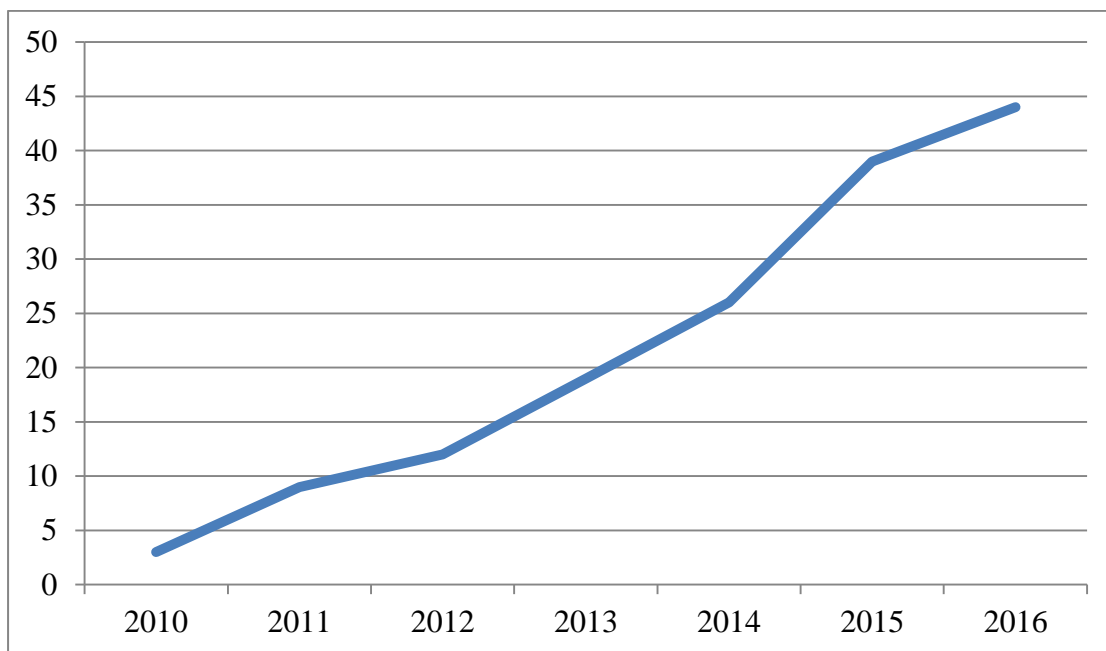


Figure 1 – Number of associative local currencies in France, 2010-16

Table 1 – The most dynamic local currencies in France, as of 2016

	Creation	Number or users	Number of providers	Money supply (estimated in euros)
Eusko (Basque country)	Jan. 2013	3000	650	550 000
Elef (Chambéry)	Nov. 2014	1500	130	90 000
Gonette (Lyon)	Nov. 2015	2674	205	81 000
Léman (Genève – Annemasse)	Sept. 2015	1100	250	80 000
SoNantes (Nantes)	Ap. 2015	1077	171	59 000
SOL Violette (Toulouse)	May 2011	1850	206	42 225
Stück (Strasbourg)	Oct. 2015	1127	140	45 000
Galleco (Ille-et-Vilaine Department)	Sept. 2013	1205	203	44 670
Overall estimation for the 44 local currencies		21 000 to 25 000	4 500 to 5 500	1.5 Mn to 2 Mn
Estimated average		477 to 568	102 to 125	34 000 to 45 000
Estimated median		Nearly 200	Nearly 60	Nearly 13 000

Source: authors from documents issued by the carrier associations, interviews conducted and the investigation carried out in 2014 by the interministerial Mission on complementary local currencies and local exchange trading systems. The statistics provided relate to the end of 2016, with the exception of Eusko (March 2017), SOL Violette and Galleco (end 2015). Currencies classified by money supply.

From a quantitative point of view, the French dynamic is undeniable, and it is impressive in comparison with other countries. It seems close to the 2003-2008 German dynamic, which since have been tapped. However, it dates back only to 2010 and a few corpses were already on the path (Occitan, Déodat, Mesure, Sardine). There is also stagnation of some currencies, which after a first phase of development fail to maintain a real momentum (Luciole, Cigalonde, etc.), while other LCs still seem to exist but are circulated confidentially (Commune, Radis). Conversely, a few currencies were gradually expanding throughout the local area or by increasing their volume and/or number of users: this was the case of the Abeille, the Bou'SOL and the Roue. Only the Eusko seems to have grown rapidly and can thus be relied on, two years after its creation, for a resounding success in terms of most of the French experiments. For a region of more than 200,000 residents, the number of users and providers and the overall money supply remains nevertheless little. The overall money supply of the 44 French ongoing experiences at the end of 2016 can be estimated between 1.5 and 2 million euros (including approximately one third of Euskos), for approximately 21 to 23 000 users and 4 500 to 5 500 providers. As a whole, with the exception of a very small set of local currencies, one can be disappointed by their small extent so far, if the objective were to improve sustainability at the local level. This paper tries to analyse the reasons for this situation and will discuss a few pathways to improvement.

### 3. THE ISSUE OF THE RELEVANT TERRITORY AND THE SIZE OF THE NETWORK

If the objective of a local currency project is to improve the sustainability of a local region, the first issue to be discussed is the relevant territory for such a currency. The currency should circulate largely within this territory so that it connects a significant number of actors from a variety of activities and mobilizes actors from the territory.

#### 3.1 The relevant territory of a local currency

The definition of the relevant monetary space for local currencies is a tough question. Should we consider the scale of a municipality? Of a conurbation? The scale of a county (U.S.), a region (France) or a Land (Germany)? It depends of course on the objectives of the local currencies. These objectives may differ from each other, though, as seen above, they are partially homogenized by two networks and a manifesto. The objective to revitalize or protect the commercial city centre in La Londe-Les Maures with the help of the Cigalonde is quite singular. Others rather fit in with the conception of money as a tool for the transition of local territories to a more sustainable path.

Under this assumption, and at first glance, the relevant territory should be the one that combines the capacity to produce a high proportion of the goods and services needed within the territory, a low volume of energy required for the transport of goods and persons and a strong ability to generate its own revenues. It is mostly a capacity, not an observable state, since the local currency should precisely enhance these capacities. As a consequence, any definition of such a relevant territory requires a prospective analysis of a high complexity on singular territories.

Two models may provide input for reflection on that issue. First, the concept of regional resilience, which captures “the differential and uneven ability of places to react, respond and cope with uncertain, volatile and rapid change” (Pike, Dawley and Tomaney, 2010). Bristow (2010) analyses the complex relationships of resilience with the mainstream competitiveness imperative. She emphasizes four key features of regional resilience: (1) the diversity of activities, including locally-owned businesses; (2) modularity, or the “capacity to re-organise in the event of a shock such that they can supply their core needs without substantial reliance on transport”; (3) “an emphasis on small-scale, localised activities that are embedded in the capacities of the local environment, and cognisant of and adapted to its limits”; (4) a “supporting economy of family, neighbourhood, community and civil society, strong in reciprocity, co-operation, sharing and collaboration in the delivery of essential services, care provision and caring of families” (Bristow, 2010). This puts resilience far from the economic base theories, which consider the development of a territory on the basis of its capacity to attract revenues from the outside (Talandier, 2013).

Second, the concept of regional resilience leads to consider the “in-place economy”, that is, “activities locally implemented for the production of goods and services aiming at the satisfaction of the needs of the persons who are present within the territory, be they residents or tourists” (Gass, Reynard et Vialette, 2015; see also Talandier, 2013). Consequently, the circulation territory of a local currency could be considered relevant if it enabled the development of local circuits of commerce, through the redeployment of the activities of local actors to serve the local demand. This requires a re-orientation of their purchase practices and the endogenization of productions previously imported. To summarize, a territory meets the requirements of a sustainability-oriented local currency scheme whenever the local currency contributes to regional resilience by the generation of in-place revenues and the strengthening of local providers of goods and services that meet local needs.

Such a relevant territory should emerge from its own dynamics. In other words, it does not pre-exist but is a potentiality, since it must be built by its autonomous production capacities, particularly food provision. This ties up with a conception of the territory as a “creative construction”, that is, a process of resource building (Fare, 2016), which a local currency may precisely contribute to.

This territory is defined by a form of proximity of the actors such that they are able to respond in several ways to their local problems. It is also culturally and symbolically based, which is a condition for the emergence of forms of territorial sovereignty as it is subordinated to national sovereignty. The local currencies can contribute to the definition of this relevant territory by combining geographical proximity (especially related to distances travelled and the representations that people have of the distance) and organized proximity (due to similarities or affilia-

tion, and in this case of an organizational work of the relationship between local players) (Fare, 2011) (on these terms, see Boschma, 2005).

In France, the need of the activists to formulate what could be the territories led notably to follow the category of “catchment area” (“bassin de vie”), as defined by the DATAR (the Interministerial Delegation of Land Planning and Regional Attractiveness) and the INSEE (the French national institute of statistics) (Julien and Pougard, 2004; Brutel and Levy, 2012). The concept displays a meaning more related to the common space of daily life of the people than economic or even market activities, as required by in-place economy analysis. The INSEE defines the catchment area as “the smallest region where residents have access to the most up to date facilities and services” and obtains a zoning of France into 1666 catchment areas of which 1287 are rural (Brutel and Levy, 2012).

However, the way in which the territories of circulation of local currencies were defined is very idiosyncratic: it is based on each territory's specificities, on the extent and connection of activist networks, on the opportunities the founding groups could benefit from (including possible subsidies from local governments), and, of course, on the nature of the project as well. These territories are thus empirical constructs that are far from being dependent on objective designs. They range from a small town (in the case of the Cigalonde, in La-Londe-les-Maures) to several spaces of a department (in the case of the Galleco, in Ille-et-Vilaine) or a cultural and linguistic region (in the case of the Eusko, in the Basque country), passing through a large conurbation with a part of its rural hinterland (in the case of the Gonette in Lyon).

### 3.2 The size of the network

A success or failure factor is common to all associative currencies. As money can be assimilated, in terms of its usefulness as a means of payment, to a network good (that is to say, a good whose usefulness increases with the number of its users), the success or failure of an associative currency depends in particular on the extension of its network of users and providers. There is, however, no right number to attain: the relevant number of users and providers depends on the extent of the territory, the size of its population, the intensity of transactions, the adherence of users and providers to the values that give their meaning to the currency (which reduces the need for a proof of the direct utility of the LC as a requirement to use it), etc.

In France, the LCs are primarily built by activists associated in a non-profit organization. They are sometimes implemented by existing local promotional NPOs (merchants associations and associations for the promotion of the social and solidarity economy) (Heol, Cigalonde). Moreover, a few of them come from projects driven by a local authority (SOL violette, Galleco, Bou'SOL).

Failures may result from the confinement of the project to the original group who seized the initiative to create a currency as a tool for turning its values or beliefs concrete, that is, from its inability to spread the use of the currency to other social spheres. In the French legal framework, the formal membership of users is one of the conditions for LCs to be legal. This obviously acts as a drag on their growth, but does not necessarily lead to their failure.

Their possible inability to spread out may come from a radical form of activism (activism being too visible for ordinary potential users, or activist requirements preventing any ordinary users to apply for membership) and the lack of openness to meaningful socio-economic partnerships (DéoDat). It may come also from the isolation of the project within its own birth community (Occitan). It may eventually come from a deficit in the animation of the scheme.

For the managing group, the issue could be formulated as a tension between two attempts (Blanc and Fare, 2016a):

- On the one hand, translate a set of precisely formulated values into strict rules to be respected (notably on selection criteria for providers membership and on demurrage). The risk is to exclude too many providers as well as individuals frightened by this rigidity.
- On the other hand, not fix anything: no charter, or an ineffective charter; and, for example, no selection criteria for providers' membership. The advantage is of course to be much more open and less exclusive.

But the downside is that, in the absence of a political or ideological marker, the user or the provider will then seek their own interest: in this case, they are likely to believe that the Euro is much less constraining in daily payments for them.

A third term is to establish a charter, formulate values and define selection criteria but with a flexible interpretation: talking about progress-based approach, introducing challenges systems in a relatively flexible constraint. The Eusko was one of the first LCs to introduce challenges for providers so as to stimulate them to improve their practices while being inclusive.

The tension can be expressed as follows. If it comes to customer loyalty within a network of merchants, it only plays on the well-known resort of interest (providing benefits to loyal customers) optionally adding that of membership (deploy a community identity linked to the territory in which we live); the network can be rapidly expanded. If it is to promote the transformation of practices and representations of the public by pushing, for example, users to buy organic products made by local producers organized in cooperatives or in a community supported agriculture organisation, other behavioural springs must be enabled that refer to values and the meaning of the action; once conquered the already sensitive public activist, the hardest remains to be done. In 2015, almost all of the current French currencies were moving in this direction and, quite symptomatically, the biggest difficulty several of them faced was extending the network of individual users (more than that of the providers). In many cases, it seems that, after a first big push in the membership that lasts two or three years, it becomes difficult not only to go on extending the number of users, but also to maintain their number year after year, due to the constraint of formal membership that leads many users not to renew it when they observe their own limited use of the currency.

Success requires linking all these actors and thus going beyond the original group of activist individuals (the basis of the project, or the user base appropriating the project) by combining activist merchants and producers (so that there is a solidarity base of providers and limit conversions by creating a diversified circuit of providers) but also non-activist users and providers (without which circulation will remain confidential). To reach this goal, active communication and efforts to raise awareness from employees and volunteers are required.

The number of users and providers does not say everything anyway. One may observe the uneven distribution of users and providers within the territory of a given LC: some places may experience a process of community building associated to the currency project and characterized by a close-knit network of transactions, while others lack users (for the Doume, see Celati 2017; for the Eusko, see Poveda, 2015). Beyond a global number of users and providers, their spatial distribution matters. Moreover, a network is not characterized by its size only. Among its characteristics, one should especially emphasize the importance of the variety of connections and the intensity of their relations. We will then stress the importance of animating the scheme.

#### **4. PATHWAYS TO IMPROVEMENT AND THEIR DIFFICULTIES**

With regards to the experience of the French local currencies so far, this section discusses a few crucial points of improvement and the difficulties they generate. Local governments should be recognized as major partners for local currency schemes; employees should constitute a permanent basis for the scheme's activity and development; the paper currency should be completed by a digital version; money should be completed by finance. All these points of improvement are difficult to implement, for various reasons.

##### **4.1 The underused potential of committed local governments**

When it comes to the issue of extending the network of users and providers, and to the issue of stimulating the circulation of the currency, the commitment of local governments is crucial.

They can play the role of a provider by accepting payments in the local currency for access to local public services. Local currencies were integrated in the French legal framework by the law on Social and solidarity economy voted in July 2014. The Article 16 creates the category of so-called titles of local complementary currency ("titre de monnaie locale complémentaire") under certain conditions and includes them in the Monetary and financial code. Such an article allows, but does not require, the deputy head of Public Finance to accept payments with these ti-



ties. Since then, a few local governments started to experience this method of intervention (notably the Abeille, Eusko and Bou'SOL), though the paymasters often resist. As providers, local governments and public bodies can also pay for a part of their supplier purchases and of their payroll in the local currency (the part that may be paid in meal vouchers). With regards to local taxes (like the housing tax, the property tax and the local business tax), the law of 2014 does not suffice, since a change on the tax code would also be required.

Local governments could also distribute a portion of their aid in the local currency to increase the consumption of certain goods and services, enhance the eco-citizen gestures, subsidize access to certain goods or services such as access to fresh vegetables baskets for the most disadvantaged populations, and lastly support the financing of investment and equipment in renewable energy sources. But, with the exception of a negligible programme with the SOL Violette in Toulouse, local governments have not implemented any programme of that kind.

The overall potential of local governments commitments into LC schemes remains obviously underused, even under the umbrella of the law of 2014.

#### **4.2 The need for employees**

For a local currency to circulate and spread out, it is necessary to facilitate the scheme. Monetary crises may push up the use of alternative currencies, as shown by the Argentinian case of 1999-2002 or during the Great Depression in the U.S., but in ordinary times there are no proper qualities of local currencies that would suffice to prompt their use and spread them out. It takes a lot of will and human work, from volunteers and employees, to increase the use of the currency. But volunteers are heavily mobilised in the phases preceding the launch, which last an average two years. One can hardly expect that volunteers would be sufficient to develop the circulation of these currencies across the relevant territory over the years. Even volunteers with the highest goodwill may turn tired or discouraged; and beyond their core team the associations may face a high turnover of volunteers. Access to paid employment is thus necessary. The work of employees can maintain over time the project's momentum by mobilizing the actors of the territory.

It is financially demanding, since it requires getting sustainable funding. Yet, the incomes from their own activity generally remain low. The reconversion costs are not sufficient to finance all this (and may be used either to discourage outflows, or to fund projects), while the incomes from demurrage provide the association with very low amounts, when it is effectively implemented (Blanc and Fare, 2016b).

Resources from private and/or public partners are necessary to enable the association to scale out and then increase own resources. It should therefore combine different resources in a balanced way to recruit employees while avoiding the deleterious effects of addiction to a model dominated by subsidies (Blanc and Fare, 2016b).

This path questions the activist project at the heart of a LC. The implementation of the project assumes costs that must be covered with resources whose nature must be compatible with the project. As such, a double risk of misalignment can be identified. The first risk concerns the painful adjustment between the project and its implementation, as resources constrain the extent of what is achievable: a lack of resources leads to a currency well below the initial project, and therefore to dissatisfactions related to the inability to stabilize the activist project in volunteer or civic commitments. Avoiding this first risk leads to a second risk that concerns the fit between the project and resources. Indeed, the desired completion of the project may lead to the search for resources that were not envisioned from the start or that were refused according to a will to stay autonomous so as to secure the values behind the project. The second risk is therefore that of a shift in meaning and a bifurcation of the project due to the nature of the resources, and therefore dissatisfaction related this time to "hijacking".

So there seems to be a tension in the quest for resources: the experimental nature of LCs so far and the will to raise the awareness of the public on topics like local economies, money, sustainability etc., before impacting the economy, may not withstand the search for more and lasting funding. A well-funded scheme faces the requirement of efficiency and impacts.

### 4.3 The need for a digital version of the currency

In coherence with sustainability purposes at the local level, the currency should not be confined to users/providers transactions but should also circulate among providers. Such a circulation requires a diversity of providers. When the network already comprises such diversity, providers may find new suppliers within the network and spend the local currency accumulated throughout their sales to individual users; in this case, the LC generates new relations within the network. When the network is not diverse enough to let providers find partners to spend the local currency they accumulated, the facilitators often work with the providers to extend it wisely; in this case, the LC increases the size of the network. In both cases, the paper form of local currencies becomes a handicap, since cash is hardly adapted to the requirements of business transactions.

As shown by the Chiemgauer and the U.K. local currencies like the Bristol and the Brixton Pounds, a digital version of the local currency, allowing SMS payments, may also boost users/providers transactions. However, as in these three cases, opening a digital counterpart of the currency does not require the end of the paper. Paper currencies mark the minds, carry symbols, and the definition of their iconography gives an opportunity to mobilise people for a contest and to communicate. They are part of the education process that justifies most of the LCs. Moreover, they are quite simple and inexpensive (which also refers to the question of financial resources).

The French local currencies have barely implemented a digital counterpart of the local currency, as of 2017 (Léman, Eusko) (two of them were already and only digital: the SoNantes and Belmo). The law of October 2016 for a digital Republic changed the Monetary and financial code and allowed digital schemes of payments for closed networks and for a restricted set of goods and services, without the need for a formal declaration to the Bank of France, under the ceiling of one million euros year-on-year. This opportunity has been quickly seized by the Eusko.

### 4.4 The need for funding activities

A local currency promoting a sustainable development at the local scale should be used to fund activities that contribute to such a development. As part of complementarity logic, these types of financing should be oriented toward projects that find it difficult to be financed by the banking system because of the uncertainty or weakness of direct financial profitability of the projects. In other words, local currencies find their natural place in social finance<sup>4</sup>. Two main solutions are possible: funding with local currencies (donation by the association itself, credit or capital contribution by partnering with a structure of social finance, subsidy by local authorities) or with the national currency, on the basis of the reserves that back the local currency (credit or capital contribution).

This is where the problem of interest comes into play. Money issuance by credit is the normal method of creating new money. This method is very powerful, but has major flaws. Creating money by interest-bearing debt is indeed a powerful factor of growth. The business that goes into debt for investment purposes should set out in its investment plan that the return on investment will be sufficient to cover the interest and provide a surplus beyond interest: profit for reinvestment purposes, building reserves and remunerating capital providers. Creating money by interest-bearing debt is therefore fundamentally linked to capitalism as a principle of unlimited accumulation of capital. Interest-bearing debt subjects all agents to the constraint of accumulation - and facilitates accumulation by creditors, producing over a long period the polarization of wealth that is only counteracted by inflationary phenomena, forms of redistribution imposed by governments (taxation) or catastrophic forms of upsetting positions (wars and disasters). That is why currencies that promote a sustainable development at the local level of territories while articulating those at the domestic level are faced with the problem of reproducing the flaws of the dominant monetary system and the difficulties of being cut off from them. It is within this context that social finance allows for transactions, which, for some, are not encumbered by interest: capital contributions, donations, sharing the yield of ethical investments.

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<sup>4</sup> On social finance, see Nicholls, Paton and Emerson (ed. 2015).

Also, developing a funding activity constitutes a powerful lever of building territorialized sectors. Indeed, the financing of activities increases the offer for individuals but also for businesses and therefore provides opportunities to use the local currency. Social finance can thus be a source for financing local activities to respond to local needs not yet satisfied by local businesses, reducing currency leakage outside the community. This combination, a lever of local sustainable development, could be mobilized to establish the creation of a network of businesses whose streams of expenses would build circuits, which would create a less dependent region on external flows, and therefore a more resilient region.

So far, several associations of local currencies have implemented the principle of a fund, notably composed by the collected fees on outflows, that is used to subsidize partnered associative projects (on the principle of the Chiemgauer). Moreover, the converted currency is placed in a reserve or guarantee fund, which is an account with a financial institution that uses it on its own initiative. The reinjection by the bank of deposited Euros can therefore be added to the circulation of local currency. But, so far, there are few guarantees that this injection of national currency in tandem with the local currency is done locally and for projects compatible with the principles of a sustainable development at the local scale.

The recourse to a social finance institution such as the NEF in France orients the use of funds in such a direction<sup>5</sup>. In the years 2010s, the NEF has been developing a programme called "Prêt de chez moi" ("loan from my home", from a word game between "prêt" – loan – and "près de chez moi" – close to my home) in order to create a financial short circuit. Such a programme is highly compatible with the principles of local currencies and an agreement with the network of local currencies led to propose a specific version of this programme with local currencies. It allows a local currency association to target projects to be supported by the use of its reserve fund by the NEF.

In the Basque region, a partnership with a Basque venture capital fund (Herrikoa) facilitates the financing of local activities. It doubles the amounts of euros converted into Euskos by matching contributions to the Eusko-Herrikoa Investment Fund, which is a kind of mirror fund. This Fund is used to finance structuring projects for the Basque Country presented by the association Euskal Moneta to Herrikoa to and consistent with the objectives of the Eusko: relocation of the economy, promoting the Euskara, the Basque language, and/or environmental protection. These projects may contribute to structuring clusters in the Basque Country in agriculture, processing, manufacture, distribution, etc. These projects can be individual or collective, and their purpose can be to create or preserve clusters and structuring activities. The investment fund is created from the equity fund of Herrikoa but corresponds to the sum of Euskos in circulation.

These financial organizations have a major role in moving the project from daily consumption (which is the case of all existing local currencies) to the support of the local productive and ethical economy and of investment (very rare cases to date).

The mechanisms by which this kind of funds injection into the region might be systematized do not yet exist everywhere: the deployment of local currencies requires advanced social finance, regionalized (by financial short circuits) and subjected to sustainable development criteria.

## 5. RIPPLE EFFECTS

Eventually, success would require the generation of a ripple effect by the local currency scheme on the dynamics of the territory. But the definition of what should be measured to identify such a ripple effect is controversial.

The promoters of local currencies emphasize that a quantitative assessment can only be biased because the objectives of these currencies cannot be reduced to the battery of conventional activity statistics. It is true that the quest for a new society in which GDP growth must stop being the alpha and omega of any policy calls for critical reflection on the concept of wealth, which the philosopher Patrick Viveret agreed to, following on the heels of the

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<sup>5</sup> The NEF (Nouvelle économie fraternelle) is a French cooperative financial institution, which has nothing to do with the English NEF (New Economics Foundation).

sociologist Dominique Méda, at the beginning of the 2000s - and which also leads to working the issue of its indicators (Méda, 1999, Viveret, 2003, Gadrey and Jany-Catrice, 2006). Sustainable development at the local level should therefore be well distinguished from growth logic at the local level. This is an assessment of their social utility to which associative local currencies must be subjected, an assessment where Gadrey (2004) showed the complexity, and which ideally calls for the definition of indicators by the very same actors who are committed to the project.

More accurate investigations on the practices of individuals and providers show that these local currencies produce changes in merchant relationships and in the transaction networks (so far, however, these investigations were conducted by the currencies themselves: there are no independent works published on this subject on the French LCs). It was noted that, for the Eusko and the Sol-Violette for example, providers had changed suppliers in order to use the local currency obtained from their sales to individuals. One of the essential challenges, in fact, for the managers of these currencies, is having them circulated: a few providers (as the local organic supermarkets Biocoop) concentrate sales in the local currency and have major difficulties to use such a big amount, leading either the currency to be at a standstill, or these important providers to convert it into the national currency and thus generate major outflows. Technically, the demurrage (see Godschalk, 2012) bore by those who immobilize the local currency and the reconversion costs bore by those who generate outflows may play a regulating role. However, they make the acceptance of the currency by providers more difficult and the demurrage is particularly cumbersome to implement in a banknote system. As a consequence, some associations chose to postpone the demurrage (Mesure) and/or to alleviate the reconversion costs (Elef, Gonette). Eventually, when providers switch their purchases to internal suppliers in order to use the local currency they accumulated, the transaction networks of local providers are heading in a more sustainable direction.

The promoters of LCs also emphasize the role of civic education that these currencies have. The projects themselves require often long maturation times, averaging nearly two years for those that succeed: the circle of those who first interested should be gradually expanded so as to build a group of committed people providing upstream significant volunteer work. This work involves deploying a set of civic considerations on currency, money, finance and the economy and actually works as a strong civic education and learning time of citizens extended to the economic field: it is about appropriating expert knowledge and claiming to implement it by rubbing up against economic realities.

The definition of the framework and the concrete functioning of the currency serves then as a forum where actors come together to consider a shared project for the territory. The work on the characterization of currency (a currency for what, for whom, how) is the catalyst for consultation on the territorial project. This approach involving all the regional players (elected representatives, associations, citizens, companies, banks, etc.) can mesh the existing networks active on aspects of territorial development by expanding them in a comprehensive territorial approach.

In this sense, they are probably mobilization or even systemization tools of territorial actors by activating different forms of proximity (networking of actors, creation of production and consumption clusters). They would "systemize" local initiatives, i.e. "connect them so that they form a whole" (Morin, 2002, p. 38) in the face of a challenge and a common project, sustainable territorial development. They are thus part of a process to empower people and collectives in order to act in a societal transformation objective.

In France, the implementation of a local currency project is based on the activation of values initially formulated in a charter, contrary to most of other cases in Europe and elsewhere. Local charters experience variations but revolve around the search for a more humane and environmentally friendly economy. Once these principles have been laid down, the challenge is to ensure that they are followed. In France, the choice was often to create accreditation committees to provide advice and a decision on the application of providers, that it must therefore be assessed in the light of the values laid down in the charter and set out in more precise criteria (Blanc and Fare, 2016a).

The economy promoted by these currencies is therefore a moral economy and cannot be reduced to the single quantitative dimension of the activity, even if it remains important. The issue is, in reality, that qualitative changes at the local level gradually causes overall quantitative transformations.

## 6. CONCLUSION

Studying the case of the French local currencies, this paper gave a panorama of these schemes since their inception in 2010 and observed their globally disappointing state of development, if the objective were to improve the sustainability of a local region. It discussed the notion of relevant territory for such a currency and observed that the actual territories are not based on such rationalization but are very dependent on the context and opportunities. It emphasized a few crucial points of improvement and the difficulties they generate: the need for committed local governments, the need for employees, the need for a digital counterpart of the paper currency, and the need for connecting money to funding. Eventually, the ripple effects through civic education and awareness especially and the mobilization of territorial actors would import more than the purely economic and quantitative aspects. It should be expected qualitative transformations first, as a possible driver for quantitative changes within the territory.

Overall, local currencies question territorial policies and advocate for the insertion of the monetary tool into a territorial development strategy, i.e. thinking of money as a medium, but for the purpose of change, in articulation with other dynamics or instruments working toward the same objective. LCs can support a true territorial development strategy in the sense that their leverage increases when combined with other instruments and mechanisms of the intervention policy of the local authority and its local partners.

The issues at this stage often find an answer in a close connection with the logic and tools from the social and solidarity economy for economic and social development reflected in a desire to act differently for social and cultural integration and territorial cohesion (microcredit, time currencies, tontine, group purchasing, social groceries, cooperatives, social finance and responsible investment funds, cooperative banks, public banks) or with environmentally friendly transitional and regionally resilient policies and instruments (unconditional income, incentive for environmentally responsible behaviour). LCs have then a potential in terms of facilitating the networking of converging initiatives in the same region – though the conditions to turn this potential into reality are not met so far.

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