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Analysis

Community currencies and sustainable development: A systematic review

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ABSTRACT

Community or complementary currency systems have spread all around the world. Most often, they have been promoted as tools to foster sustainable development albeit they differ in terms of specific objectives. While many case studies have tried to assess the actual impact of these systems, there has been no global analysis summarizing their global impact.

This paper aims to fill the gap by exploring whether complementary currencies contribute to the three pillars of sustainable development. We use the systematic review methodology on an original dataset gathering most academic publications on the topic in English, French and Spanish. Our main findings suggest that community currencies mostly contribute to social sustainability, and that their economic benefits are somewhat limited due to their small scale and the lack of awareness on their scope. Moreover, very few studies explicitly identify environmental outcomes. Finally, this review reveals some limits regarding current methods for impact assessment in this field. Therefore it encourages more standardization to provide greater accuracy and strengthen the legitimacy of community currencies in order to foster their continued development.

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1. Introduction

Over the last few decades, a growing number of social movements have turned their attentions to the challenges of globalization in terms of sustainable development. Concerns have been raised about the conventional monetary system notably that such a system is unsustainable because of the constant drain of financial resources going from poor to rich segments of the population, and the obsession for economic growth as main economic philosophy (Seyfang and Longhurst, 2013; Lietaer et al., 2012; North, 2007). All of these result in the amplification of economic disparities and the decline of local economies (Robertson, 1999; Strange and Bayley, 2008) and even frequently the depletion of natural resource (Jackson, 2009). In response, a few 'new economic' approaches argue that we need to revise priorities away from the principal objective of economic growth and more oriented towards the well-being of society and community-level sustainable development (Seyfang and Smith, 2007; Ekins, 1993; Frankova et al., 2014). They argue that all three pillars of sustainability need to be addressed and given some importance.

In parallel with this approach, and frequently inspired by green movements, community currencies have been developing all around the world by non-governmental organizations (NGOs), non-profit organizations (NPOs) and informal groups. The motivations to create such systems vary. Some of them were established in response to crisis situations to protect local livelihoods. For instance, Conill et al. (2012) argue that community currencies were part of community economic alternatives that have spread throughout Catalonia due to the recent crisis. Many recent community currencies are now emerging more and more deliberately as grassroots innovations with the aim of promoting sustainable development (Colacelli and Blackburn, 2005; Douthwaite, 1996; Meechuen, 2008; Seyfang, 2001a,b). More specifically, these currencies could, for instance, ease the transition to a lower-energy economy (Douthwaite, 2012; Joachain and Klopfert, 2014). Over the last decades, the number of community currency projects has experienced dramatic growth around the world (see Lietaer, 2001) and during one of their studies, Seyfang and Longhurst (2013) recorded more than 3000 clusters of projects across 23 countries and 6 continents.

However, within the large amount of papers studying this movement, the terminology of these new forms of exchange remains confusing and contested (Seyfang and Longhurst, 2013). Among others, they are alternately called local currencies, alternative currencies, parallel currencies, community currencies or complementary currencies (Blanc, 2011). However, for reasons of clarity, only the terms "community currency (CC)" and "community currencies (CCs)" will be used in this paper.

Typically, CCs design the broad family of currency systems that exist alongside conventional currencies, circulate within a defined geographic region or community, and arbitrate exchanges of goods and services without bearing interest (Lietaer, 2001). Some of the

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most famous examples of CCs are Time banks, Ithaca HOURS, Local Exchange Trading Systems (LETS),[1] WIR and the Red de Trueque. They vary impressively in their design, with some using physical paper-based currencies while others are only recorded as debit and credit lines in registers or electronic databases (Evans, 2009). They also differ in scale and objectives and a typology will be presented in a later section of this paper.

The CC field is currently on its way to develop itself as a solid discipline with an increasing amount of studies discussing the matter (Place and Bindewald, 2015). However, while the existing works have deeply searched and highlighted the diversity, the motivations and the potentials of community currencies, few have presently evaluated their concrete impact. Moreover, publications assessing outcomes of these systems consist generally of individual studies of one particular CC project (e.g., Jacob et al., 2004; Pacione, 1997) or national studies evaluating similar exchange systems (e.g., Birch and Liesch, 1997; Seyfang, 2002). To date, it would seem that almost no studies have comprehensively assessed the global impact of community currencies. The only exception we are aware of is Dittmer (2013), who reviews English academic research about local currencies.

Still, impact evaluation and proof of positive outcomes are needed for different reasons. Firstly, as DeMeulenaere (2008) discovered in his study that CCs rely mostly on external financing, convincing governments and financial institutions could help to get more support. Secondly, while CCs are generally small-scale systems, McBurnie (2012) found a positive correlation between the awareness of community and environmental benefits and the willingness of non-members to start using the currency. As a result, more people and businesses would possibly join CC systems if evidence of positive impacts is correctly demonstrated.

For these reasons, this research attempts to draw a global picture of the actual impact of community currencies and assess how successfully they achieve sustainable development. With this aim, a systematic review of the most comprehensive and available literature has been conducted. Following Seyfang and Longhurst (2013), the CCs analyzed were categorized in four main types according to their objectives and the extent to which these objectives correlated with actual outcomes of each type was also evaluated.

The remaining part of the paper proceeds as follows: the next section describes the theoretical context for the review, describing the link between the three pillars of sustainable development and community currencies, and presenting the typology used for the analysis. Following this, the particular methodology of this research is explained. Next we present the findings, including the characteristics of the analyzed studies and the observed impacts. A discussion of these findings is then provided. Finally, we conclude with some implications of this study for the future.

2. Theoretical Framework

2.1. Community Currencies and Sustainable Development

According to Robertson (1999) the current monetary system challenges sustainable development for two main reasons. Firstly, resources are systematically relocated from poor to wealthy segments of the population. Kennedy (2001) referred to it as the "fairness misconception", stipulating that everyone is in fact not treated equally in our monetary system. In her study comparing the interest paid and received by German households, she found that the mechanism of interest only benefited a small minority of rich people, while the majority (80%) paid almost twice as much as they receive. Secondly, Robertson (1999) denounces constantly higher levels of production, consumption and investment resulting from the money-must-grow imperative.

The basic vision of sustainable development stipulates that our decisions should bear in mind the interconnection of the economic, social and environmental spheres. With the aim to realize these objectives, new economics organizations and academics attempt to create new institutions or parallel infrastructures that comprise more sustainable systems of production and consumption (Douthwaite, 1996). The development of new monetary systems through the establishment of community currencies systems is one such example.

Without question, the fundamental basis of community currencies is the rejection of the credit-money foundation of the capitalist system, and more specifically how conventional money is created. CC advocates criticize how the creation of money, by engendering debt and the repayment of credits with interest, leads to an ever-expanding monetary system (Rowbotham, 1998). As Kennedy (2001) states: "*Interest leads to compound interest. Compound interest leads to exponential growth. And exponential growth in turn – wherever it cannot be transformed – is unsustainable.*" (Kennedy, 2001:1).

While the general objective is to create more resilience in the monetary system, CCs are generally promoted to make sure that a bigger part of savings and local income circulate within the local community. Community currencies have commonly been supported by practitioners of green and political economy movements as tools to stimulate sustainable development (Douthwaite, 1996; Greco, 2001; Robertson, 1999). They are considered as grassroots innovations that introduce bottom-up solutions for sustainable development by responding to the local situation and the interests of the communities involved, focusing on the social economy rather than the market economy, and offsetting the loss of local autonomy at the expense of the global market (Seyfang and Smith, 2007).

This paper aims to examine the impact of CCs and also the ways in which they can effectively foster sustainable development. Before entering into the subject in more detail, let's first explore the numerous theoretical ways in which CCs could potentially contribute to sustainable development and classify them according to economic, social and economic sustainability.

Economic sustainability is grounded in the recognition that natural resources are being depleted on an increasingly large scale by the economic system. CC advocates frequently argue that CCs can contribute to sustainability first of all because they can promote localization or foster local economic activity by preventing global outflows of wealth and increase the circulation of money in the community (Douthwaite, 1996; Collom, 2005). When the usage of the currency remains local, it is safe to assume that the money will circulate faster and in larger proportion, thereby stimulating the local economic multiplier and increasing local incomes (DeMeulenaere, 1998). Moreover, CCs can help to recognize informal work and value skills that are not valued by the formal labour market (Aldridge et al., 2001; Hudon and Lietaer, 2006; Scott-Cato, 2006). Through local import substitution, local businesses are provided with a market advantage that helps sustain their activity. Additionally, CCs may incite the establishment of small enterprises and stimulate an entrepreneurial spirit, with lower financial risk.

Social sustainability is the second dimension. It implies the maintenance of social capital, the promotion of cooperation, trust, and cohesion within the community for the benefit of all (Kahn, 1995). By creating small circuits of exchange, CCs have the propensity to foster community building, through increasing trust and stronger relationships between businesses and users (Collom, 2005; Jacob et al., 2004). Through the exchange of goods and services, people are able to expand their social networks and make new connections (Thorne, 1996). Another objective of these systems of exchange is tackle social exclusion (Lietaer, 2004). Plus, they can boost the self-esteem and confidence of such socially or economically excluded

[1] LETS are also sometimes called Local Exchange Trading Schemes.

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