25.4 LOCAL CURRENCY SYSTEMS: SOCIAL MONEY AND COMMUNITY CURRENCIES

LEARNING OBJECTIVES

By the end of this section, you will be able to:

- Compare to different monetary systems
- Critique money issue and the how money can be utilized for value creation

As an alternative to centralized money issue, communities are exploring their own money issuing strategies. There are several types of local currency systems, and we will describe a couple of the most common ones' general characteristics and institutional structures below. One source that outlines the extent to which currency experimentation has grown during the era of neoliberalism is described by the 2012 *International Journal of Community Currency Research* Special Issue titled "Thirty Years of Community Currencies: A Review of Impacts, Potential and Challenges." This edition contains papers from a two-day academic conference that included scholars from several academic disciplines. Scholars in economics, history, geography, law, sociology, anthropology, and political science, etc. presented research from those disciplines individually and through interdisciplinary methodologies as well. In addition to the diversity of academic perspectives community currencies are attracting, they are also covering diverse political and geographic terrains across the planet. More than 20 different countries were represented at this conference.

One reason that such a diverse set of tools is necessary for studying community currencies is that if the Metallist's story of money is false, then the price mechanism or the invisible hand is not an adequate means of determining value. In *The Picture of Dorian Gray*, Oscar Wilde tells us that; "Nowadays people know the price of everything and the value of nothing." Community currencies are projects that work to allow communities to assign values to activities and goods that central currency schemes are not pricing properly. As such, these activities are experiments. These experiments are guided by general philosophies, such as solidarity and reciprocity. Their philosophies influence goals and the purpose of currency creation, examples include: community stability, intergenerational relationship building, and strengthening of territory or stimulating economic activity. From these general goals, communities create real jobs: to promote sustainable production, support the elderly, women's programs, and other civically oriented tasks not being met by the market of fiscal sectors of the economy.[1] Thus, when value is reintroduced into a discussion about the economy, the limited toolset available under real analysis is replaced by a diversity of methodologies from several academic disciplines.

In an effort to organize the analysis of this diverse and growing collection of money systems, three categories of local currency systems has been suggested.[2] The first of these are local currencies are *territorial* projects. These projects are typically defined by geographic boundaries and are designed to strengthen the areas resilience or development. Second, *community* currencies are projects developed to address a specific community need. Such needs are usually determined by a group of local actors attempting to emphasize increased wellbeing, empowerment of a repressed group, or support environmental health. The third type is a *complementary* currency. Complementary currencies are designed to support an economic objective. These systems are generally designed with regard to market principles and work to support activities between production and exchange of goods and services. These types of currency systems are not mutually exclusive in their characteristics. In fact many take on objectives and characteristics that draw from multiple currency types. One such currency system is the Red del Traque (RT) of Argentina.

Ecologists developed the RT currency system. In this ecological model, the wellbeing of women and families were a primary objective. To accomplish their objective, markets or 'nodos' were set up in economically depressed neighborhoods. These markets used the RT currency system to organize labor efforts and create household stability by encouraging self-production, reducing waste, promoting resale of household items, providing social welfare labor, and helping to distribute unsold surpluses in local businesses through new trade outlets.[3] Thus, from this description we could classify the RT in all three of the suggested category types. It is a community currency based on its primary objective. It can also be described as a complementary currency as it facilitated market exchanges, and it targeted particular territories based on economic need, territorial.

By creating a local currency system, many Argentinians who had been abandoned by the peso economy, where provided an opportunity to contribute to social activity and find some economic stability. In a sense, Argentinians were able to solve Keynes's elasticity problem. There was a shortage of money in their communities, so they found a creative, socially driven solution to solve the shortage. This local currency system effectively organized available resources and produced outputs that were deemed valuable to the community.

To conclude, money takes on very different roles in our economic system based on the methodology applied to study economic activity. If it is simply the medium of exchange, then the coordination of inputs to produce outputs is the role of individual firms. However, when money is observed in its historical and institutional setting, business enterprises need money to initiate those coordinating functions, as we see in Marx's circuit of money capital. Given this central role in all economic activity, the task of economists and other scholars is to help society create laws and institutions such that money is available to initiate productive value generating activities, because merely assessing value through profits appears to be a woefully inadequate approach.

[1] This information can be found in "Community currency research: An analysis of the literature" in Vol. 15 in the 2011 *International Journal of Community Currency*.

[2] The French economists Jerome Blanc has published widely in the area of community and complementary currencies.

[3] Georgina Gomez and Bert Helmsing from the Hague in the Netherlands published a very interesting article about the spatial distribution of the RT in Argentina in the 2008 Vol. 36(11) of *World Development* titled "Selective Spatial Closure and Local Economic Development."

CHAPTER 26. INTERNATIONAL TRADE

INTRODUCTION TO INTERNATIONAL TRADE

Figure 1. Apple or Samsung iPhone? While the iPhone is readily recognized as an Apple product, 26% of the component costs in it come from components made by rival phone-maker, Samsung. In international trade, there are often "conflicts" like this as each country or company focuses on what it does best. (Credit: modification of work by Yutaka Tsutano Creative Commons)

JUST WHOSE IPHONE IS IT?

The iPhone is a global product. Apple does not manufacture the iPhone components, nor does it assemble them. The assembly is done by Foxconn Corporation, a Taiwanese company, at its factory in Sengzhen, China. But, Samsung, the electronics firm and competitor to Apple, actually supplies many of the parts that make up an iPhone—about 26%. That means, that Samsung is both the biggest supplier and biggest competitor for Apple. Why do these two firms work together to produce the iPhone? To understand the economic logic behind international trade, you have to accept, as these firms do, that trade is about mutually beneficial exchange. Samsung is one of the world's largest electronics parts suppliers. Apple lets Samsung focus on making the best parts, which allows Apple to concentrate on its strength—designing elegant products that are easy to use. If each company (and by extension each country) focuses on what it does best, there will be gains for all through trade.

CHAPTER OBJECTIVES

Introduction to International Trade
In this chapter, you will learn about:

- Absolute and Comparative Advantage
- What Happens When a Country Has an Absolute Advantage in All Goods
- Intra-industry Trade between Similar Economies
- The Benefits of Reducing Barriers to International Trade

We live in a global marketplace. The food on your table might include fresh fruit from Chile, cheese from France, and bottled water from Scotland. Your wireless phone might have been made in Taiwan or Korea. The clothes you wear might be designed in Italy and manufactured in China. The toys you give to a child might have come from India. The car you drive might come from Japan, Germany, or Korea. The gasoline in the tank might be refined from crude oil from Saudi Arabia, Mexico, or Nigeria. As a worker, if your job is involved with farming, machinery, airplanes, cars, scientific instruments, or many other technology-related industries, the odds are good that a hearty proportion of the sales of your employer—and hence the money that pays your salary—comes from export sales. We are all linked by international trade, and the volume of that trade has grown dramatically in the last few decades.

The first wave of **globalization** started in the nineteenth century and lasted up to the beginning of World War I. Over that time, global exports as a share of global GDP rose from less than 1% of GDP in 1820 to 9% of GDP in 1913. As the Nobel Prize-winning economist Paul Krugman of Princeton University wrote in 1995:

> It is a late-twentieth-century conceit that we invented the global economy just yesterday. In fact, world markets achieved an impressive degree of integration during the second half of the nineteenth century. Indeed, if one wants a specific date for the beginning of a truly global economy, one might well choose 1869, the year in which both the Suez Canal and the Union Pacific railroad were completed. By the eve of the First World War steamships and railroads had created markets for standardized commodities, like wheat and wool, that were fully global in their reach. Even the global flow of information was better than modern observers, focused on electronic technology, tend to realize: the first submarine telegraph cable was laid under the Atlantic in 1858, and by 1900 all of the world's major economic regions could effectively communicate instantaneously.

This first wave of globalization crashed to a halt in the beginning of the twentieth century. World War I severed many economic connections. During the **Great Depression** of the 1930s, many nations misguidedly tried to fix their own economies by reducing foreign trade with others. World War II further hindered international trade. Global flows of goods and financial capital rebuilt themselves only slowly after World War II. It was not until the early 1980s that global economic forces again became as important, relative to the size of the world economy, as they were before World War I.