

form of providing credit to the inhabitants of the community. Furthermore, BP defines and enforces a set of rules that guide the usage of the Palmas, but seeks to encourage democratic and participatory governance (Fare et al, 2015). In 2003, Banco Palmas was sued by the Brazilian Central Bank for creating counterfeit money, but the lawsuit was lost and the Brazilian government subsequently created an organ to oversee local currency projects in the country, the National Secretariat for the Solidarity Economy, an umbrella that includes BP and over 100 other CDBs that have been identified in the country. In 2012, BP experimented with an electronic version of the Palmas, but this project was discontinued a year later, being instead allocated for further development by Instituto Palmas' research lab (Fare et al, 2015).

2.2.2. Consequences of the project

The consequences of the Banco Palmas initiative can be separated into two partly interdependent realms: social and economic. The economic consequences of the project are easier to assess, as they can draw from quantitative data to support their conclusions. Perhaps the most striking consequence of the system was not its stimulating of the local consumption (the primary objective), but the degree to which this was accomplished.

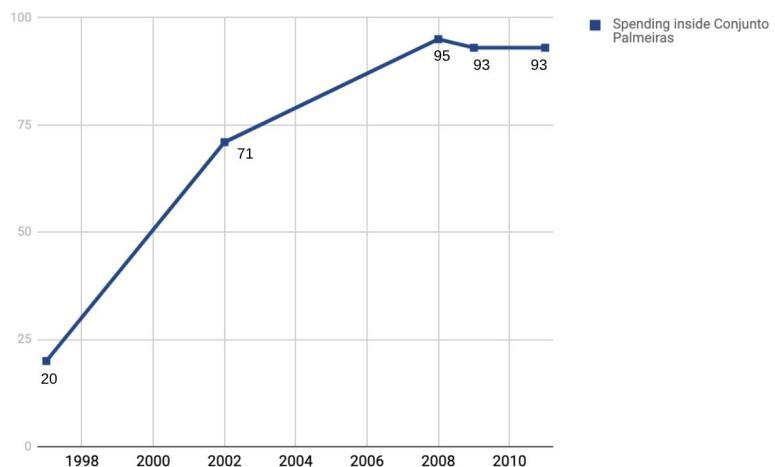


Figure 1: Gradual internalisation of consumption in the Conjunto Palmeiras (as a %)

Sources: Fare et al (2015); Melo (2011). [ADAPTED]

Figure 1 shows how from 1997 to 2011, the percentage of the spending of households outside of the community was reduced to less than 10% of its original value, and has plateaued at around 7%, an extremely low value for any urban community. As predicted, this movement towards local spending has helped improve the quality of life of individuals in the community, with 90% of inhabitants interviewed reporting that the CDB “contributed to the improvement of living conditions in the district” (Fare et al, 2015). Lastly, having started with an initial capital endowment of 2,000 Brazilian Reais (~1,800US\$ at the time), the project now manages total assets worth *circa* 3,000,000 Reais (Diniz et al, 2008; Fare et al, 2015).

Regarding social consequences, Fare et al. (2015) emphasize the importance of the Palmas currency as a symbol. The actual usage of the currency is decreasing (Scalfoni, 2014; Meyer, 2012), but the impact remains. Inhabitants have become used to purchasing goods within the community and the sense of unity has been elevated, as the currency provided its users with a sense of belonging. Additionally, the perceived social benefit is felt externally, as well as internally, with 95% of the interviewed members of the community claiming to think that BP’s activities have improved the image of the community (Fare et al, 2015). In addition, estimates from ASMOCONP (the neighborhood association of the community) from 2008 suggested that already then, a total of 3,200 direct and indirect jobs had been created as a result of the program, which has a direct economic benefit, but also a significant social impact at the micro level, through the empowerment of the individuals (Diniz et al, 2008).

2.2.3. Takeaways

The brief overview of Banco Palmas presented above is included as an example of a successful local currency project, with the intent of describing the potential of a complementary monetary system and allowing for an evaluation of the process to be performed, helping identify key factors leading to its success. First, Banco Palmas shows the impact of stimulating local consumption and the direct impact that a complementary currency can have in incentivizing households to spend within the community. Having identified the leakages prior to the launch of the CDB, the Palmas currency had a primary objective of economic localization (Kent, 2005), which proved successful in the long-term. Second, the failure of the two initial approaches implemented by BP highlights the importance of a customizable and modular system, open to modifications in order to suit the community at hand. It is

unlikely that a *plug-and-play* style system can exist for local currencies, although attempts at standardization and enhancing replicability can lead to significant benefits with regards to scaling the model. Lastly, the BP project echoes the view expressed by Hughes (2015), that the social benefits of a local currency can be as important as the economic consequences, although the two are interconnected to a significant degree. This emphasizes the need for education and the necessity of a clear link between the values of local currency projects and the values of the community, which should be reflected by the currency itself through its use as a symbol of local empowerment.

2.3. Shortcomings of current systems

While it is difficult to gather data on local currencies worldwide, some estimates have been provided by geographically-limited studies which can help determine their success rate. Collom (2004), in his study titled “Community currency in the United States: the social environments in which it emerges and survives”, makes no assumptions regarding an overall success rate for local currencies in the US, but denotes that in his research, he found that only 20.7% of the projects identified remained active. Blanc and Fare (2018), in their research of French complementary currencies, do not either provide an estimate of success, but describe the stage of development of such systems in France as “globally disappointing”. Nevertheless, authors rarely question the power of the local currency concept, but rather indicate focal points for improvement, suggesting a refinement of the model is necessary for greater overall success.

The first aspect to be considered in assessing the likelihood of success of a non-sovereign monetary system regards not the system itself, but the socioeconomic context. In his evaluation of these system, Collom (2004) concluded that they appear more likely to thrive in areas with younger populations, higher educational attainment, fewer married people, and less residential stability. The age of the population and educational level factors can be explained by easier onboarding and comprehension of the new system by those who are younger and more educated, since they can better understand the long-term benefits, as well as do not have as many preconceptions about the model as an older population may have. Regarding the number of unmarried, Collom suggests that married people, due to the extent of their responsibilities within the household, tend to be less engaged with these systems, as they face greater barriers to participation. His conclusions regarding residential stability, however, are not as satisfying. Collom attributes the greater success of local currencies where stability is low because, as suggested by Pennings (1982), urban volatility tends to correlate with