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Jérôme Blanc, Marie Fare

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## Turning values concrete: the role and ways of business selection in local currency schemes

Jérôme Blanc, Triangle UMR 5206 & Université Lumière Lyon 2, Lyon, France

Marie Fare, Triangle UMR 5206 & Sciences Po Lyon, Lyon, France

Postal address:

Triangle UMR 5206 / Institut des Sciences de l'Homme (ISH)

14, Avenue Berthelot

69363 LYON Cedex 07

# Turning values concrete: the role and ways of business selection in local currency schemes

## **Abstract**

Alternative consumption schemes require the selection of producers and traders according to criteria and through processes that should make alternative values concrete. The way values turn concrete is crucial for the effectiveness of such projects. This paper investigates the ways criteria and processes are defined and their real meanings and uses through the case of associative local currencies. Drawing on the framework of proximities, it analyses local currency schemes as combining proximities (geographical and non-geographical) and selection processes set up for providers wishing to join. Selection processes may be based on a charter, an approval committee and screening criteria. The objectives of the selection, its measures in principle, the way in which it is applied as well as the practical consequences are discussed. Even when charters and formal participatory schemes for selecting providers are established, proximities appear as the keystone of selection and trust.

## **Keywords**

Alternative consumption; Local currency; Proximity; Charter; Selection

## **1. Introduction: context, issues and method**

In the recent years, alternative or ethical consumption practices based on community organisations have quickly developed throughout western countries. They have been nourished by the rise of green critics over consumption patterns and the economic system and more generally by an aspiration to life standard changes led by new values. Some of them aim at connecting consumers with producers or / and traders within the framework of fair and/or green values, like fair trade, local food systems (including community supported agriculture) or local currencies. They aim at remodelling market transactions and eventually re-embedding them in social and environmental values: e.g., by realizing justice in local food systems (Allen, 2010) or at a global level through fair trade (Walton, 2010), by connecting pleasure-seeking and politicization (Pietrykowski, 2004), by promoting social values in addition to the economic benefits expected from local currencies (Evans, 2009), etc.

So as to turn these alternative values concrete and implement real changes in daily economic actions, the schemes should promote new associative relationships between consumers and producers. This requires a proper selection of producers with regards to the founding values and their acknowledgement by consumers, leading to confidence relationships. Yet, the ways selection criteria and processes are defined and their actual meanings and uses have not been much developed in social economics, since the literature has been rather focused on the definition, the principles and the variety of alternative consumption practices, on their sociological and political background and meanings, and on their possible impacts. This paper tries to fill the gap, by questioning charters and other “value documents”, approval committees and screening criteria. It does so by drawing on the case of local currencies in the French context.

Since 2002, indeed, there has been a rash of associative local monetary systems in the world. They are commercially oriented in so far as their aim is to be accepted by commercial providers, their currency is put at par with the national currency and professionals are entitled to change them into the national currency under certain conditions. They provide an institutional infrastructure to ethical or alternative consumption, as they promote forms of local development by integrating locally rooted traders and producers into the currency circulation process. Local currencies are thus connected to short circuits or local food systems (see e.g. Seyfang 2006). One of the most interesting aspects of these schemes is the way in which the link to economic activity is envisaged, the latter being promoted via an ethical<sup>1</sup> project which goes from supporting local traders to the setting up of commercial networks made up of providers who respect, to a greater or lesser extent, sustainability criteria. In this case the currency is not only to be used by consumers for their purchases but also for transactions between providers. In all cases, but to differing degrees, the aim is to constitute networks of organisations united by the recognition of common objectives that go beyond the vested interest of each. These organisations may enter the scheme thanks to their objectives and practices, which have to be deemed compatible with the ethical project carried by the currency. It is the way these judgements are taken and their consequences that will be the subject of this text.

At first sight, the greater the number of “users”, i.e. individuals (who become members in order to get an access to the local currency) and providers (mostly traders and producers) who use the currency, the stronger the economic impact. The way in which the people in charge of the development of these schemes manage to attract these users is thus

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<sup>1</sup> These projects will be considered “ethical” not only because this term is sometimes used by their activists, but also because they focus on specific sets of goods and services and of providers, on the basis of values statements.

crucial. There is a tension between, on the one hand, the temptation, or even the necessity, to rapidly broaden and strengthen the network of users and, on the other, to respect the system of values that is at the heart of the scheme. To open up to one and all becomes less and less compatible with the ethical project as the latter gains in precision and distances itself from the dominant values of the market order. This is why some systems establish principles of screening of providers to allow the scheme to be extended while respecting the ethical project. The aim of this text, then, is to identify the objectives of the screening, its measures in principle, the way in which it is applied as well as its actual meanings.

The method employed consisted, first of all, in the collection of written documentation on a series of French local currencies, as well as on some European and American ones, through their websites and personal communication. Secondly, we carried out semi-directive interviews in September and October 2012 with those in charge of eleven of the fourteen French systems that had been implemented in mid-2012<sup>2</sup>. We also carried out semi-directive interviews and informal talks at the end of 2012 and in 2013 with persons in charge of the Chiemgauer (Germany), of the Palmas (Brazil), of the Bristol Pound and the Brixton Pound (Great Britain) and of the Eco iris (Belgium). Eventually, thanks to a grant provided by the local government, we conducted three successive focus groups with 20 to 25 practitioners each, from several schemes and projects of the Rhône-Alpes region, between November 2012 and December 2013. They were centred on partnerships, visions, complementary tools to currencies and connexions with mutual credit systems, and they helped discuss the core of our present topic and its surrounding elements.

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<sup>2</sup> Interviews carried out with representatives of the SOL alpin, the SOL Nord-Pas de Calais and the SOL violette, of the Occitan, the Abeille, the Roue, the Luciole, the Mesure, the Cigalonde, the Déodat and the Heol.

We shall begin by presenting the context of these local currencies and shall establish an analytical framework bringing together public faith, proximity and participatory guarantees (2). We shall, then, tackle the core values of these mechanisms and the various measures taken to constitute the ethical project, in particular the charters (3). Next, we shall study the way in which providers are selected confronting principles with practices. We show how principles and practices do not coincide and discuss why there is such a gap. (4). The main consequences of this analysis will be discussed in the conclusion (5). Even when charters and formal participatory schemes for selecting providers are established, proximities appear as the keystone of selection and trust.

## **2. The analytical framework**

### ***2.1. A panoramic view of local currencies for alternative consumption***

Local currencies may be presented within the framework of evolving generations of complementary and community currencies (CCs), following notably Blanc (2011). The classification principle of generations tries to capture the evolving reality of CCs. A new generation emerges through innovation processes. Generations are constituted by systems that mostly refer to others from the same one. They may overlap, since the emergence of a new generation does not put an end to the former; and they are progressively transformed, since a generation may be rejuvenated by innovation.

The use of complementary and community currencies (CCs) for market exchanges has been possible since the emergence of the first generation of CCs in the 1980s, as far as most LETS (Local exchange trading systems) from North American and other Anglo-Saxon countries possibly included businesses or commercial providers (see notably Lee, 1996; Douthwaite, 1996; North, 2006; Peacock, 2006). However, LETS “green dollars” and other currencies of this first generation of CCs were not convertible from and to national currencies

and mostly took the form of bookkeeping systems that prevented them from being used along with national currencies as paper complements. Time-based currencies like “Time dollars” in the U.S. or “time banks” in the U.K., which constituted a second generation of CCs, aimed at providing members with reciprocal services (whereas LETS also included goods exchanges) and were completely and voluntarily implemented out of market exchange and principles, since they implemented the very specific and radical valuation rule of accounting one hour of time for any hour of time provided through a service (see e.g. Collom, Lasker and Kyriacou, 2012).

We need to look at the third generation of CCs to see them aim at stimulating local business activities by penetrating the local currency circulation as concrete complementary means of payments along with the usual means of payment. This third generation started with the Ithaca HOUR, in 1991, following the recognition that the implementation of a LETS had failed and of the limits inherent in the principle of mutual credit in order to develop transactions which included commercial providers (Jacob & *al*, 2004). It caught its second wind at the start of the 2000’s with German schemes (Regiogeld including the Chiemgauer, see Gelleri, 2009; Thiel, 2012; Volkmann, 2012) and Brazilian community development banks based on the model of the Banco Palmas (see Fare, Meyer & de Freitas, 2015). Only in the second half of the 2000’s did they appear in Great Britain with the local currencies of some “Transition towns” (including Bristol and Brixton, see North, 2010; Ryan-Collins, 2011), then in France, at the very beginning of 2010. In this third generation of CCs, a fixed rate links the local currencies to the national one and convertibility rules are settled. Currency issues are backed by national currency reserves, contrary to the first and second generations schemes where no backing is required because of the inconvertibility principle. Inflows (*ie* conversion from national currency to complementary currency) are possible, and even often promoted through a bonus, whereas outflows are generally deterred by conversion costs.

Local currencies are useable in the current economic sphere, with the principle of co-use with national currencies. They aim at dynamizing local economic activity by re-localizing a series of daily consumption expenses. The success of those schemes requires thus the inclusion of small local providers, and sometimes bigger ones. Partnerships with local governments may play an important role in this success, especially when local taxes can be paid with complementary currency or when local public services can be accessed with it.

A fourth generation of CCs began to emerge at the outset of this century. Its main feature is that it combines several objectives that, until then, had remained separate (social support, volunteering stimulation, local business promotion, sustainable consumption). Moreover, environmental concerns have been given a far more prominent place. Yet, the multiplex nature of these schemes has made the engineering required to make them function bulkier with costly technical solutions. This has led to forming complex partnerships between local authorities, economic actors and programmes or organisations that are national, or even European (for schemes in the European Union countries) and, also, to implementing a series of experiments before launching on a larger scale (see the NU-Sparpaas in the Netherlands, the SOL currency in France around 2006-2008, the Toreke, the Eco iris or the E-portemonee in Belgium) (Fare, 2011; Joachain & Klopfert, 2014).

This paper will focus on French cases of third and fourth generation models. Table 1 displays the key features of these cases and allows a comparison with a few prominent cases in Europe and in the Americas.

Table 1 – Key data on local currencies

Name of the currency	Place	Date of start of circulation of the currency	Number of providers	Number of individual users	Form of means of payment	Funding partnerships when the currencies were created
<b>Local currencies in France as of mid-2013</b>						
SOL Nord-Pas de Calais	Lille conurbation	2007	15 (June 2012)	Not posted	Electronic (chip cards)	Local government, European programme, co-ops and mutuals
SOL Alpin	Grenoble conurbation	November 2007. Shut down in 2013.	23 (2012)	147 active users (2011) out of 1,360 cards distributed since 2007	Electronic (chip cards)	Local government, European programme, co-ops and mutuals
Occitan	Pézenas	January 2010. Shut down in 2013.	Around 70 (May 2012)	Around 300 (October 2012)	Paper	No
Abeille	Villeneuve-sur-Lot	January 2010	112	400	Paper	No
Commune	Roanne	April 2011	Not posted	Not posted	Paper	Local government
Luciole	Joyeuse – Les Vans – Aubenas	January 2011	40	100	Paper	No
Mesure	Romans – Bourg de Péage	May 2011	60	117 (Sept. 2012)	Paper	No
Bogue	Aubenas – Vals les Bains	September 2011. Merged at the end 2013 with the Luciole	42 (March 2012)	160 (July 2012)	Paper	No
Déodat	Saint-Dié des Vosges	September 2011. Shut down in 2013.	30 (October 2012)	Not posted	Paper	No
Roue	Carpentras	November 2011	80	140	Paper	No
Heol	Pays de Brest	January 2012	48	250	Paper	Local government
Cigalonde	La Londe les Maures	April 2012	49	Several hundred?	Paper	No
MUSE (Monnaie à usage solidaire et écologique)	Mûrs-Erigné	April 2012	67	90	Paper	No
Eusko	Basque country	Janvier 2013	386	2000	Paper	Local government
MIEL	Libourne	Janvier 2013	82	350	Paper	No
Retz'l	Retz	Avril 2013	50	130	Paper	No
SOL Violette	Toulouse	May 2011	125	1,200	Paper	Local government
Bou'SOL	Boulogne sur Mer	Mai 2013	45	140	Paper	Local government

Name of the currency	Place	Date of start of circulation of the currency	Number of providers	Number of individual users	Form of means of payment	Funding partnerships when the currencies were created
<b>Some local currencies in other countries as of mid-2013</b>						
Palmas	Conjunto Palmeira (Fortaleza, Brazil)	2002	270	Not posted	Paper	No
Chiemgauer	Chiemgau (Germany)	2003	627	2,769	Paper and electronic	No
BerkShares	Great Barrington, Berkshire county, Ms (U.S.A.)	September 2006	400	Not posted	Paper	Local bank
Brixton pound	Brixton (London, U.K.)	September 2009	200 (paper money) ; 100 (payment by SMS)	Around 2,000	Paper and electronic (bank account)	NEF (New Economic Foundation) and local government
Bristol pound	Bristol (U.K.)	September 2012	600	A few thousand, including 1,200 holders of accounts at the Bristol Credit Union	Paper and electronic (bank account)	NEF (New Economic Foundation), local government and others foundations
Éco-iris	Two districts of Bruxelles (Belgium)	September 2012	Around 50	Not posted	Paper	Local government

Classification of schemes existing in mid-2013, by date of creation. Source: authors from documents published by the host organisations and the interviews carried out.

## ***2.2. Trust, proximity and participatory guarantees***

### *2.2.1. Money as an expression of a system of values*

Every money refers to an ethical project in so far as it embodies the values that its institution intends to achieve and spread. Through Ingham's conception of money under the lenses of social theory (Ingham, 1996), money is to be referred to as a structure of social relations that embodies moral values. Specific values constitute, in fact, the *raison d'être* of local currency schemes. For example, within the growing literature on CCs, Lepofsky (2009) emphasized the figure of the stranger as the core of the ethical dimension of community economic development work. Seyfang (2004, 2005) put the emphasis on ecological

citizenship and sustainable consumption. North (2006) put under scrutiny the strong political motives behind CCs and considered them “forms of contemporary monetary contestation” and, overall, “micropolitical alternatives to capitalist rationality” that do have a “liberatory potential” (North, 2006, p. xiv, xxviii). With a wider analytical scope than CCs only, Hutchinson, Mellor and Olsen (2002, p. 184) considered the potential of CCs to “contribute to the demands of economic democracy”. Eventually, the intentionality of the existence of such schemes allows to definitively state that local currencies are founded by an ethical project that constitutes the fundamental rationale for their implementation.

Institutionalist monetary theory displays a conceptual framework that gives a place to social values, analysing the way they perform monetary institutions. Social values are first associated to the unit of account, which is considered the most fundamental element of a concept of money (See e.g. Ingham, 2004, influenced by chartalist theories of money). Moreover, the usual functions of money as acknowledged by economists (means of payment, unit of account and store of wealth) cannot be carried out without public faith. Aglietta and Orléan (eds, 1998), Théret (2007a) and Théret (ed., 2007b) identify three forms of public faith in money: confidence, credibility and trust.

Confidence, which constitutes a routine faith, characterises the fact that money is routinely accepted as payment because everyone expects everyone else to accept it at face value. This is a matter of observing the efficacy of the currency in daily use. Yet, in the case of local currencies, confidence is certainly difficult to establish because it notably requires a network of users sufficiently extended to let people know they can use them easily. Strongly selecting providers according to specific values may contradict this condition. Moreover, some local currencies implement forms of “demurrage”, which is a “built-in pre-programmed depreciation of the nominal value of a currency” in order to accelerate its circulation (Godschalk, 2012). Such a depreciating scheme may also hinder the efficacy of the currency,

whereas it constitutes a concrete implementation of the underlying specific values of many local currency schemes.

Credibility, or hierarchical faith, means that money is accepted because the credibility of its issuers is certified by a legitimate representative of the payment community as a whole: in today's national monetary systems, central banks. Credibility especially refers to the minting rules implemented by the legitimate institutions. Credibility is then an expression of the reliability of the organisations that issues, manages and monitors the currency circulation. Eventually, trust, or ethical faith, ensures that money is accepted because it is created in accordance with the values and norms that provide the foundation of the community in which money is valuable. What is at stake here is a social recognition of the hierarchy of values established through the unit of account. From a pure symbolic viewpoint, local currency notes generally bear symbolic representations of the founding local communities as well as transcending values (like for example reciprocal help), introducing symbols of the community's unity into every monetary transaction.

Public faith in money combines these three levels (Aglietta and Orléan, eds, 1998). Their weaknesses may lead to monetary crises; yet the weakness of one of these levels could be partly or temporarily compensated by the others. The strength of the social values that give place to a local currency may thus help balance the weakness of, say, confidence in the efficacy of the currency and in the issuer. Money is then a vehicle of social values in itself, and cannot be reduced to a cold medium for impersonal market transactions between independent agents. In local currencies, these social values are expressed in a series of documents to be broadcasted to the public, as will be seen.

### *2.2.2. Proximity*

Proximity plays a major role in facilitating the everyday use of these complementary currencies (confidence), in the building of credibility in the emitting organisation (credibility) but also in the ethical project (trust), be it for its design or its implementation. The mesoeconomic approach of proximities enables us to characterise the various mechanisms of complementary currencies (Carrincazeaux, Lung & Vicente, 2008). This approach highlights the existence of “intermediate levels of integration of the actors depending on affinity, on a shared feeling of belonging or on forming a group to find a solution to a problem deemed common” (Pecqueur, 2008, p. 14). These intermediate levels constitute autonomous areas where the local actors (citizens, businesses, associations and public authorities) interact in order to become more organised. On this basis several forms of proximity have been discussed and combined (Boschma, 2005; Carrincazeaux, Lung & Vicente, 2008; Torre and Wallet, eds, 2014). They appear to be entwined in the design, organisation and the development of local currencies.

Geographical proximity, assuredly, plays an important role in the social construction of a territory, but it cannot be considered natural. Several local currency schemes develop the notion of a “living area” as a catchment: it refers to “social and political construction rather than a defined geographical ‘localisation’” (Lepessant, 2012). For example, in the French cases of the Commune, of the Déodat or of the Héol, the claimed living area covers the administrative scale of a county while at the same time allowing it to free from those constraints. This geographical proximity is, certainly, not enough to define the measures needed for an effective implementation of the ethical project but the construction of a pertinent territory contributes significantly to having them defined.

The dimension of affirming self-identity can also be present. Even though it is expressed via an area that is more or less geographically defined, it is seated on a communal

representation of what this identity is (institutional proximity, according to its definition by Boschma, 2005) so as to define the community that can potentially use the currency: this is the case for the Bavarian Chiemgauer, created in 2003, and of the Eusko from the Basque country, created at the start of 2013. For the latter, the question of language is very present as the consolidation of the use of the Basque language is one of the main objectives of the system.

If the actors who interact on the territory share the same values or communal representations (an *institutional* proximity), if they are already organised in a social network (a *social* proximity) by means of shared activism for example, a collective will can emerge, which becomes concrete through the setting up of a local monetary community. This collective project engenders rules, standards and values that will allow the relations within the community to be established in order to guarantee the coordination of the members and to ensure that the community can function while also enabling it to be reproduced. The local currency becomes, then, the central object of the project and a symbol of belonging to a group. The community of payment, thus installed, constitutes a social mediation mechanism which itself generates proximities creating a climate of trust and cooperation (for discussions on forms of proximity and their combinations, see Boschma, 2005; Bouba-Olga, Grossetti and Ferru, 2014). That is to say, proximity, in its various and complementary forms, contributes to public faith in money by promoting a sense of community.

To all intents and purposes, the proximity is, thus, to be considered as central to local currency schemes: it is, at the same time, a necessary condition and a result. The establishment of a project, indeed, requires the activation of various forms of non-geographical proximity within the framework of a certain geographical proximity; while, at the same time, it consolidates (or sometimes establishes) cognitive, social, institutional or

organizational proximities (in Boschma's words). The charters and agreements constitute key elements in the construction of communities of payment.

### *2.2.3. Proximity and participatory guarantees*

The currency schemes under scrutiny combine an ethical project with complex forms of proximity. Yet, making the ethical project concrete is dependent on the integration of individuals and (under specific conditions) providers, all becoming linked by the currency. The further the ethical project is from standard customs, the greater the conditions for integration. The implementation of specific conditions in order to integrate a provider into a local currency scheme can be analysed through the lenses of information asymmetries between "ethical consumers" and providers. Generally speaking, information asymmetries generate adverse selection and moral hazard. If this framework is to be applied to local currency schemes characterized by an affirmation of strong values, local currencies would aim at reducing information asymmetries by providing a signal to consumers so as to facilitate their consumption choices. However, adverse selection could result from the will of "bad" providers to integrate a scheme that contributes to their signalling as virtuous, while "virtuous" providers would not because they are already signalled as such without bearing the constraints of managing a complementary currency in their daily practices. Moral hazard could result from loose integration conditions and a lack of monitoring henceforth, with the case of providers maintaining or developing "bad" practices in spite of the affirmed ethical values of the project. This could bring the schemes into disrepute. Selection mechanisms should help reduce both risks. Two possibilities will be considered here: labels and participatory guarantees. While the first appear to be possible substitutes to proximities, the second are complementary to proximities relationships.

Some of these issues faced by local currency schemes, linked to selection through screening criteria, are common to the various conceptions of Fair Trade. Both distance to a

greater or lesser degree from conventional trade. What the currency projects are promoting is clearly “exchange against and within the market” (Le Velly, 2006, about fair trade), as they bear a potentially strong criticism of the aforementioned “conventional trade” and, by imposing ethics via the selection of the providers, introduce a material rationality as put forward by Weber. Such questioning can also be found in the case of the various conceptions of local food systems where, like with fair trade, tension exists between various models, some being more critical or radical, others tending towards an adaptation of normal trading conditions with social justice criteria (see for example Allen, 2010).

In the case of local currency schemes, the selection mechanisms are very different from a labelling model (as Fairtrade International’s) and are closer to the work carried out in independent handicraft fair trade schemes (as Artisans du Monde’s) as well as in that of community-supported agriculture. Proximity is the first means of selection: this leads to solicit first traders, farmers, craftsmen/women or associations that are already known by the leaders of the project to conform to it (cognitive and social proximity in the typology of Boschma, 2005, all differing but possibly nourished by geographical proximity). In a certain number of cases, however, these proximities are considered insufficient to guarantee the conformity of the providers with the project or, at least, their compatibility, from a static point of view (what is the situation at the time of joining?) or from the dynamic one (how will the providers’ practices evolve?). Formal processes aimed at establishing this compatibility, this conformity even, have, thus, been set up (SOL, Abeille, Measure, Heol, MUSE, Bogue).

The formal measures for selection of providers can be close to those of the participatory guarantee systems (PGSs) which have been developed notably in the field of organic and community-supported agriculture. The PGSs are “quality assurance initiatives that are locally relevant, emphasize the participation of stakeholders, including producers and consumers and operate outside the frame of third party certification » (May, 2008). This

implies the building up of confidence, a social network and exchanges of knowledge. As opposed to labels, they are not substitutes for forms of proximity as, on the contrary, proximities are active in strengthening the guarantees of conformity or compatibility. They are based on the active participation of all the stakeholders (producers and consumers) who design and implement the PGS.

The approval committees set up in some of the local currency schemes under study hold a logic that is close: the progressive construction of a questionnaire can be found as can the desire for transparency, the establishment of a climate of trust, the potential involvement of all the members (users and providers) in the assessment and the recognition of an approach that is progress oriented. Such participatory schemes should result in the lowering of information asymmetries. In the French cases under scrutiny, one can observe, first, that the adverse selection seems avoided since well-known local shops of organic food that are franchisees of a nation-wide co-operative network (Biocoop) are very often integrated as selected providers. For such well-known providers, not being part of the project would be a reverse signalling that could divert customers from their shops. Second, the participation of the members to approval committees is, however, always difficult to build and maintain and the post-approval follow up is mostly lacking at this stage of the development of these currency schemes. Such conditions makes it difficult to properly avoid any moral hazard, if not by social pressure or the genuine adherence to the core values of the local currency project. In this context, formal statements of values appear crucial if values are to be turned concrete.

### **3. The role of charters and other value documents**

From an international viewpoint, local currencies are implemented in various contexts. They appear to be adaptable to the local communities' specific agenda (Grover, 2006). In a specific country, however, they share commonalities (e.g. Hours in the USA in Collom,

2005). They can be seen as following three main objectives: the territorialisation of activities, the boosting of local exchanges and the transformation of practices, modes of living and social representations (Fare, 2011). The corresponding ethical project is formulated and set up in different texts that can be considered “value documents”: the articles of the association, a charter and other documents that list a series of criteria to be used to assess the positioning of the providers and its evolution over time. The drawing up of a charter and the setting up of an approval committee depend on cognitive and social proximities (Boschma, 2005) while reinforcing them at the same time: they build an arena for collective discussion, definition of rules of action and convergence of models of thinking, allowing the actors to be coordinated by having behavioural plans configured. Figure 1 synthesises the possible configurations depending on whether the schemes include a charter or not and the measures of assessment of the applicants that can ensue. Table 2 displays the various situations of local currencies with regards to charters and selection criteria. This section begins presenting this framework with charters: with regards to French cases and a few others, what makes the difference between to have or have not? Whereas French cases appear to rely more than others on the drawing up of a charter, one can wonder if the formal statement of values is crucial for their concrete implementation.

Figure 1 - Tree diagramme of the possible ways of affirming and setting up the ethical project

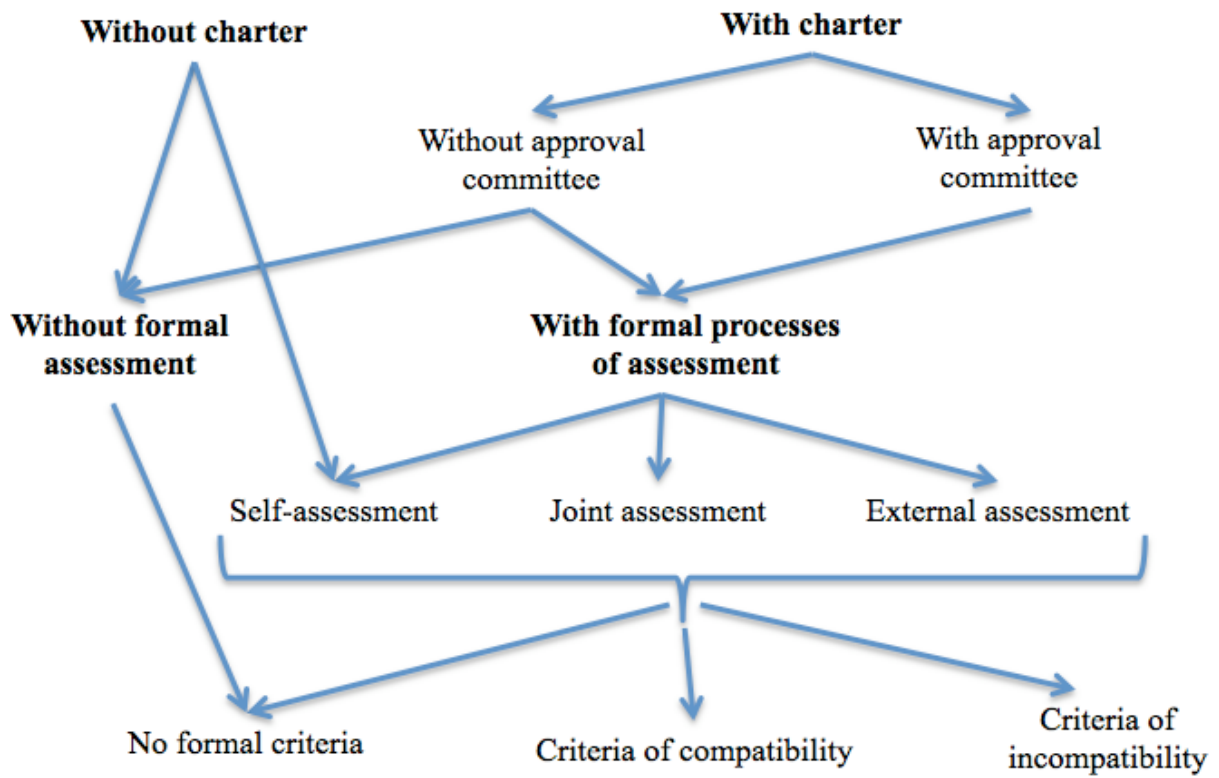


Table 2 – Charters and selection criteria

Name of the currency	Charter	Selection criteria
<b>French Cases</b>		
SOL Nord-Pas de Calais	Yes	Compatibility
SOL Alpin	Yes	Compatibility
Occitan	No	No
Abeille	Yes	Incompatibility
Commune	No	No
Luciole	No	No
Mesure	Yes	Compatibility
Bogue	Yes	No
Déodat	Yes	No
Roue	Yes	No
Heol	Yes	Compatibility
Cigalonde	No	No
MUSE (Monnaie à usage solidaire et écologique)	Yes	No
Eusko	Yes	Compatibility and incompatibility
MIEL	Yes	Compatibility
Retz'l	Yes	Compatibility
SOL Violette	Yes	Compatibility
Bou'SOL	Yes	Compatibility
<b>Other Cases</b>		
Palmas	No	No
Chiemgauer	No	No
BerkShares	No	No
Brixton pound	No	Compatibility
Bristol pound	No	Compatibility
Éco-iris	Yes	No

### ***3.1. Writing a charter, or not***

The article in the statutes of the association that specifies its object or aims is the first place that the ethical project can be formulated. In France, this statement in the statutes is highly important in that the users, individuals or providers have to become members so that the creation and use of what is not formally presented as a currency (rather a voucher) does not become regulated by national laws. Moreover, the association often endows itself with

interior rules and regulations which specify the technical means by which the currency can be used but it is generally left blank concerning the ethical project. Another complementary document detached from the statutes is often drawn up with this in mind: a charter, which is a non-statutory text, flexible and possibly more precise than the object or ultimate aims set out in the statutes.

The symbolic and concrete importance of the charter is quite variable. In certain cases, its signature is obligatory but not binding (SOL alpin in France, Eco iris in Belgium); in others, it is the central document which attests to the commitment of the providers to respect the totality of the criteria and values expressed and, as such, this signature takes on a great significance. Nevertheless, “it must be simple and short in order to be easily memorised. If not, no matter how important it is, it will be forgotten and no longer represent the main theme of the action”, states Derudder (2011) whose « Guide to the implementation of a complementary local currency » has strongly inspired several French experiments.

Even if it is well detailed (as in the case of the SOL Alpin), the charter is not used as a precise guide for the analysis of the positioning of potential providers. It “sets the course [...], gives meaning; it is the point of reference” (Derudder, 2011). There are other documents that make concrete the values of the ethical project: a memorandum of agreement complemented by a follow up sheet of providers (Mesure, Bogue), a grid of criteria activated for the request for membership by the providers (SOL, Abeille, Heol). There are, however, currencies that exist without any charter; the formal ethical constraints are, then, reduced to a minimum or totally absent; ethical constraints may be informally assimilated by the providers. Two of the French local currencies under scrutiny come from associations of traders (Occitan at its origins, Cigalonde). In their case, the local currency is a tool to promote customer loyalty for local businesses where impetus is being sought to combat retail chains located in the surroundings of the towns or cities. Providers being merchants within an organisation of

professionals, along with a will to obtain a consensus inside the group, this is enough to avert the need to set up any charter and screening criteria. Quite the contrary: a compulsory admission for an interested provider can be a vector for the extension of this association of merchants and craftsmen/women. The local currency is, thus, here put at the disposal of a pre-existing scheme and prolongs it while, at the same time, transforming it.

The Luciole and the Commune (in its experimental phase), which have an activist base, do not have a charter either: canvassing of providers by the organisers of the scheme incorporates, directly, an ethical project that remains broadly unformalised. The absence of a charter can be noted also in schemes like the Palmas, the BerkShares, the Bristol and Brixton pounds or even the Chiemgauer, the aim of which is to boost territorial activities and development (even protection of the local area). In each case, different though it may be, the ethical project seems to be formulated around non-contractual, non-restrictive documents like presentation literature, pitches etc.: they are, above all, markers for the way for the currency should be used.

### ***3.2. Rationales for not writing a charter***

What is needed, then, is to understand why, while in most French cases a charter is established, in other cases no document exists to bind providers to the founding values of the schemes, as far as moral hazard and reverse selections should be feared. The interviews undertaken provide two possible explanations.

For the first, the leaders of the currency project consider that the guarantee of respect of the values is supplied by geographical, social and cognitive proximities that link providers: proximities would minimize the risks of adverse selection and moral hazard when the founding values are believed to be endorsed by the targeted community; consequently, there would be no need for a more formal and binding statement of values like a charter. If this

explanation proves right, one has to analyse the extent to which these proximities can be an effective substitute for the written commitment of a document of values with a view to the geographic extension of the network.

The case of the Commune is a good illustration of this point. Launched, first of all, experimentally during a series of information meetings and round tables and around farmers and handicrafts' markets, the currency circulated in a very confidential fashion within an informal closed network wherein neither written commitment nor strict formalisation of the scheme existed. Reflections led in 2012 and hereafter to prepare the launch of the currency on a larger scale included, nonetheless, the drawing up of a charter and criteria of assessment based on the model of the Measure. In Brazil, the Palmas presents a specific feature in so far as its objective is to favour territorial development inherent in the strengthening and mobilisation of the endogenous activities of the district. The Palmas currency symbolises this communal project and promotes the rallying and belonging to the project of the territory. Thus, money intervenes as a tool and a symbol in the construction of a community identity in so far as it emerges from the community via collective discussions to then be presented to the inhabitants as a way towards endogenous community development (Fare, Meyer, de Freitas, 2015).

For the second explanation, the uncertain launch period of a currency leads to the partial masking of the values that constitute the foundations of the currency scheme, by a drive to extend the number of users, which is, in fact, a response to meeting the most urgent need. This pragmatic brake to the affirmation of the values contained in the ethical project can be found in the Occitan and the Luciole in France, but also in the Bristol pound in the U.K. or the Chiemgauer in Germany. There can be a great risk, however, that the values are never formally formulated, not only because of the problems generally encountered when extending a network of providers, but also because of the technical impossibility of being able to

correctly monitor these providers. Decisions taken in order to ease provisionally the launching process of a given projet may have the longlasting effect of a shift in the original project.

#### **4. The means for screening providers**

Consequently, in its minimal form, the ethical project is devised as a support for downtown or high-street businesses (Occitan, Cigalonde) – with the uncertain perspective of having criteria introduced once the currency has been sufficiently implanted (Occitan) or the introduction of a notion of the responsibility of local businesses to serve the citizens living in the territory (Cigalonde, where support for social action had been planned). Notably, in both these configurations the gestation period of the project was very short (4 months for the Occitan, 5 months for the Cigalonde): the network was already there and aware of the common interests.

In the other French cases studied, the ethical project appears, on the contrary, to be more affirmed and constitutes the foundation of all action, giving rise to a preparation time of on average of 21 months<sup>3</sup>. The formulation of the ethical project takes a fairly standard form. This shows the role of network ties already established and maintained by the activist creators of local currencies. This formulation can be summarised by the following points (of which we shall not, here, examine the variations and nuances): one can find the appearance of an appropriation of money by the citizens, of an emphasis on human, social and environmental values, of support for the economic activity of the territory and of an exchange that has to be deemed fair. This section intends to analyse the ways this ethical project is made concrete, by discussing the role of approval committees and screening criteria.

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<sup>3</sup> Authors' calculation from data collected on French local currencies, end 2014.

#### ***4.1. Screening and approval committees***

The ethical project, formulated in the statutes of the association, in a charter or in a memorandum of agreement, can be concretely activated by a process of screening potential providers, which can mobilise an approval committee. The aim is to create sustainable partnerships founded on an approach that is progress oriented, promotes mutual commitment and co-production. The approval committee is the key institution in this shared or participatory governance (SOL, Abeille, Heol and scheduled for the Measure), for it brings together all the stakeholders of the scheme. It is an area of dialogue and discussion wherein the various points of view of the actors, their divergences and their litigations are put together and build compromises and agreements. This coordination-building process relies on the combination of various forms of proximities.

In France, the principle of screening was first developed for the SOL projects (a series of local schemes linked by a national engineering). The currencies that evolved following it generally took the same direction, adapting the criteria and means for screening to the aims of their own scheme and socioeconomic context. Membership certainly appears as an ethical constraint (selecting those who respect the values put to the fore or who commit to moving towards the respect of these values) but it also appears as a regulatory constraint (the legality of these currencies depends on being comprised of members of a circle out of which the currency may not circulate, as stipulated in the law governed by article L521-3. I of the Monetary and financial code).

The different configurations studied bring together the following elements (Figure 1). First of all, with a view to approval and, as a result, membership, there can be assessment or not. When it does take place, the assessment can be strictly a self assessment, a joint assessment (provider and a person in charge of developing the currency), an external assessment (by the person in charge of development and/or the approval committee) or a

combination of the three possibilities. Then, should an assessment be imposed, three main methods concerning the integration of providers stand out: criteria of compatibility (by which a provider has to prove that its values, its activities and their evolutions are compatible with the founding values of the issuing association), criteria of incompatibility (by which the provider has to prove that it does not act in a way contradictory to the values of the association) and the absence of established criteria (the provider has to sign a form, a charter, a commitment that mentions the values of the association). When criteria do exist, one can opt for the cardinal rating or refuse it. It is also possible to apply criteria of progression to attenuate the rigorous nature of the assessment.

#### ***4.2. In search of the right selection method***

The SOL Alpin is probably the case which was the first to develop and specify the logic of assessment leading rapidly towards the idea of progress-oriented compatibility criteria and introducing, driven by the SOL national project, a local approval committee. The latter examined the application made by the providers. It was made up of members of the steering committee, provider members and elected members of the SOL (they were individual members). However, the request for approval has undergone several transformations.

At the launch of the SOL in the conurbation of Grenoble at the end of 2007, the assessment was to be based on four very succinct and simple criteria. The procedure depended mainly on a joint assessment undertaken by the provider and the person in charge of developing the currency. Quite rapidly, the measures concentrated on the notion of gradual improvement, avoiding too rigid an approach. In 2008, the criteria grid was modified with reference to a methodology developed for corporate social responsibility, giving place to a thirty points questionnaire. This was eventually not applied in Grenoble but served as a model for other schemes in France. A lightened version of the questionnaire with cardinal rating was established in 2009. The potentially cumbersome nature of having to interview the applicants,

should the number of providers be expanded rapidly, led soon to a return to the idea of self-evaluation and a fourth assessment grid was drawn up to integrate new providers. It had not been introduced when the SOL Alpin had to shut down.

#### ***4.3. What uses of rules?***

The experimentation and dissatisfaction as to the methods to be applied are truly noteworthy. They can be found in other cases. A significant gap is to be stressed between, on the one hand, a display of the criteria and the discipline imposed by a formal process and, on the other, the practical reality. In very few cases were providers not accepted. For example, two providers that applied to the SOL Alpin (volunteers who applied of their own accord) were refused at the end of the process. The ex post justifications of these refusals did not make the link with a possible lack of cumulated points from the grid. They rather, in one case, put forward the incompatibility of the applying commerce with the values of the project and, in the other, underlined the isolation of the provider with regards to all the networks of associations and activists: both refusals were driven by lacks of proximity. This raises obviously the question of the real role of the criteria and the process.

Before being assessment tools, it would seem that criteria and processes serve, first of all, to set a standard (« here is how we work and the goals we are pursuing ») as well as a safeguard (« in case of tension or even litigation these rules are here to protect us and to allow us to refuse a provider who is incompatible with them »). The reduction of moral hazard and adverse selection are directly targeted by such statements.

As a result, one can put forward the hypothesis that holds that selection is actually made in a different way. On a first level, all takes place upstream where a provider can note the compatibility or maybe the incompatibility of her/his activity with the values promoted by the scheme: this self-selection stage is linked to the cognitive proximity where the

compatibility with the scheme, or lack of it, is examined. It is highly likely that the incompatible providers simply are not aware of the local currency scheme because this awareness supposes that, upstream, there are other forms of proximity (geographical, social and cognitive). On a second level, the providers committed to adhering to the scheme tend to take the necessary steps to conform to the mould that is proposed to them, all the more so as the criteria of compatibility are considered part of a progress oriented approach, one that begins with a series of meetings with the person in charge of the development of the scheme. This is how one can understand this presentation of the agreement that has to be signed by providers wishing to join the Measure in Romans: “The Memorandum of approval is a ‘good’ link, not one that abusively binds and restrains freedom but a link that brings one another closer, one that favours attachment; that links without binding” (Lepesant, 2012).

## **5. Concluding remarks**

It is not for regulatory reasons but, rather, to implement an ethical project that most of the organisations that implement a local currency in France lay down, as a keystone, the screening of providers. It is assuredly a difficult choice as the success of a local currency, which is, first of all, an ethical project but also a network good that becomes all the more interesting as the number of users grows, depends to a great extent on the number of services on offer.

Indeed, imposing criteria that are too precise and restrictive could prevent the spread of the system over a larger scale and, as such, confine it to a niche. Too loose, the risk is that the system can derail and lead to the loss of credibility of the currency’s network. Screening potential partners can thus go against the objective of attaining critical mass, which is a prerequisite of the success of the scheme. The absence of criteria can, as a result, be perceived as forced pragmatism where the quest for new providers precedes the concrete set up of the

ethical project. Yet, when the screening process is set up to go beyond the sole geographical or social proximities, the criteria and means appear to be highly evolutionary and one can observe a significant gap between the initial intentions and the practices that have effectively been implemented. These experiments demonstrate also the desire to find a compromise whereby users can be attracted losing neither sight of the global coherence nor the objective of the scheme which is to drive change into the practices of trade and production.

The idea of following up the providers through time, that can be found in the participatory guarantee systems, has been particularly left by the wayside in the local currency schemes: such a follow up would be, either too precocious given the constraints inherent in expanding the number of providers, or too demanding given the labour resources available, employees (costly, better employed in extending the network) and volunteers (rapidly exhausted faced with the size of the task). As a result, the screening process overall, as well as the role of the approval committee, seem to be overrated compared with the significance of the forms of proximity: they serve more as standards and safeguards than assessment processes. Compared with other countries, the French schemes can be seen as specific cases in so far as they implement a stricter screening of providers that is not to be found in similar schemes abroad. The latter do not, generally, have an ethical charter (the Eco iris would seem an exception) but oblige an acceptance of technical conditions of currency use. As a result, the critical attitude seems to be more pronounced in France, but the counterpart could well be a reduced capacity to penetrate and potentially transform the established market order.

In fact, the institution of local currencies highlights an expertise that incorporates multiple actors and citizens to lead to an embedding of market practices value oriented (the ethical project) within a framework of non-market coordination. This feature can be found in other solidarity initiatives like that of the participatory guarantee systems, which share similar values. All are of a highly innovative nature notably from an organisational point of view

(shared and participatory governance, measures to favour collective decision taking, criteria of incompatibility). When groups create local currencies with charters and screening processes for the providers, they are, in fact, reaffirming the political meaning of money while promoting an adaptation of the local economies according to environmental and social values. However, the analysis of the actual role of these charters and participatory systems in the case of local currencies raises more general concerns over their actual meaning: proximities appear as the keystone of selection and trust.

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