

What Are Community Exchange Systems?

Community Exchange Systems are community-based networks of sharing which encourage mutual aid, reciprocity, self-reliance, local production, community planning and socio-economic solidarity by providing a means of exchanging goods and services for the meeting of needs, cultural revitalization, socio-economic harmony and rural reconstruction.

These can be self-help groups which encourage people to work together, barter and community currency systems, revolving loan groups, savings clubs, producer/consumer cooperatives, or any group of people who come together to decide, plan and carry out activities for the improvement of the members of the group and the benefit of society.

Giving people the right and the means to cooperate together is essential to alleviating poverty and seeing new opportunities. Often, governments, donors and NGOs forget to value the opinions and efforts of the people they are trying to help. This results in externally-driven development, projects imposed on communities, projects which benefit only a few, corruption, and ultimately failed attempts.

Community cooperation, using internally-driven, asset-based development is the key to solving the myriad of problems faced by communities not only in the third world, but everywhere.

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Socio-Economic Solidarity and Community Exchange in Asia, Africa and Latin America

Network of Community Exchange Systems in Asia, Africa & Latin America 12/2002
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Doole Community Exchange System Dakar, Senegal

The Community Exchange systems described in the following pages are managed by the members themselves using simple, transparent methods. A lack of money doesn't have to mean an empty marketplace or an impoverished community.

Socio-Economic Solidarity through Community Exchange: Cooperation, Peace and Economic Justice

"Terima Kasih!", the lady says after I bought a slice of pineapple on a hot and dry day in central Java, Indonesia. These words mean "thank you", but there is a literal meaning to this expression of gratitude. *Terima* means "give" and *Kasih* means "receive" in Indonesian, thus "thank you" in Indonesian literally means "give and receive" or, "what comes around goes around". Few Indonesians are aware of the literal meaning, even though they say "you're welcome" with the word *kembali* which means, "returned" or "come around again", or *sama sama*, meaning "same same", we're even.

Since the Asian Economic Crisis descended upon Indonesia in 1997, it hasn't been easy to keep money and goods circulating around, although there is no shortage of skilled people, nor of goods. People returned to their traditional exchange system, *Gotong Royong*, to take care of each other and meet their basic needs. However *Gotong Royong* is more of a system of cooperating rather than a system of exchange. What has been lacking is a useful means for exchanging these goods, and recording the purchase so that the seller can buy something else. Otherwise, the values of goods bartered has to be exact, each has to have what the other wants, and the trade usually has to take place at the same time. If these conditions aren't met, the trade usually falls apart.

Several communities in Asia have begun experimenting with a new means of exchange, called a Community Coupon. It functions very much like a credit card, without the card. Instead, credit is received in the form of notes that look very different from the national currency, but are valued in the same denominations. Most people who use this system have never even heard of credit cards, nor have they heard of traveller's cheques, but it makes no difference to them. It's works, and that's all that matters.

How does a Community Exchange System work?

First, it depends on your community

At first glance, many communities look similar, but scratch the surface and you will see many differences between them. A community exchange system starts by recognizing these differences and designing a system which suits the community best.

Second, it depends on your community's assets

Each community has a different mix of assets which are the social and natural capital that feeds the physical and financial capital of a community. Community exchange systems work with the social and natural capital of a community, laying the foundation for moving to other forms of socio-economic development.

Third, it depends on your community's concerns

Many communities share the same concerns: crime, poverty, violence, environmental degradation, housing, health, nutrition, agriculture, water. Which one is priority in your community in the short-term, the medium-term and the long-term?

Fourth, it depends on your community's willingness to work together

Is your community healthy? Do people lend a hand when you are fixing your home, planting your garden? Do they help take care of your children or grandparents? Do they do favors for you? Or, is your community more divided, with people keeping to themselves, not talking with each other very often? Either way, there is a solution.

Designing a community exchange system will require you to consider these questions and many more. Perhaps some simple games and pilot projects, presented in the following pages, can help you test the waters before embarking on bigger projects. You and your neighbours know your community best: no expert can come in and tell you what to do. However, there are people around who can help with the process, and we will show you how it works in a few pages.



**Bia Kud Chum Community Credit Organization
Thailand, 2000**

*The Asian Economic Crisis was especially hard on people living in the rural areas of Thailand. The villagers of Kud Chum in Isaan Province in the northeast decided to do something about it. They implemented a wide range of programs, and one of them was a **community currency** to facilitate reciprocal exchange between the villagers.*

If the currency had been implemented before the Crisis, the effects would have been much less severe because there would have been a medium of exchange available for trade in basic needs. Hopefully, many communities will start these groups before the next crisis strikes.

Community Exchange or Community Cooperation? Different Communities mean Different Solutions

Each community has a different mix of assets, concerns and abilities to work together. A collective process of mapping your community geographically, socially, environmentally and economically is a good first step in laying the foundation for a variety of solutions to the community's concerns.

A community meeting at which people talk about what they have: what they can do or make at home for themselves and others, what their hobbies and interests are, what they studied at school or like to learn about at home, their life experiences are the assets that build on the foundation. This is not a meeting to sit around and talk about how bad things have become, if that is the case, but to talk about what people have.

Later, the community can talk about their concerns: is theft, vandalism and violence on the rise? Is garbage being dumped in the wrong place? Is the road in need of repair? Is there difficulty in finding childcare or in repairing your home? Is there a lack of money and/or high unemployment? This is the meeting to raise these kinds of concerns, and prioritize them so that people know what is of primary concern to everyone.

With this knowledge, people may come forward voluntarily, or be invited to a meeting to discuss solutions that suit your community best.

Advantages of the Community Exchange / Community Cooperation approach...

Systems that promote community-level exchange and cooperation are not the only way of mobilizing community assets to deal with community concerns, or to turn a declining local economy around. Other approaches can be just as effective, and this approach works very well with these approaches too. With that in mind, promoting community exchange and cooperation offers many advantages, including:

1 **Community Exchange Systems promote bottom-up, asset-based, internally-driven, appropriate development**, which is essential in ensuring long-term development, sustainability and suitability of efforts, and the ultimate success of projects at mobilizing local resources for meeting local needs and concerns. Control and responsibility are put back in the hands of the people.

2 **Community Exchange Systems keep exchange of basic needs going when the regular economy is in a downturn.** Using a community currency, a coupon for facilitating three-way exchange can help keep national currency around longer, increasing exchange of all goods and services and the multiplier effect which can protect communities from external fluctuations in prices and money supply during economic crisis. This also means that these systems promote a counter-cyclical tendency, when the economy goes down, use of these systems goes up.

3 **Using the Coupon for exchange of basic goods and services saves scarce national currency for more important purchases**, meaning increased savings, local capitalization, and economic activity. Stocks of unused goods become mobilized, people become employed, and those traditionally at the “bottom” of the economy like home-makers, farmers and unskilled labourers find a place in the economy, and through it, in society. Multi-sector development is promoted and the need for people to leave rural areas for the cities in the search for money, when everything they need to live can be found locally, is greatly reduced. Opportunities for local import substitution are increased.

4 **Systems for promoting community exchange and cooperation promote socio-economic solidarity and mutual aid**, strengthen social relationships and community bonds, increase the willingness to work together, fostering individual self-esteem and local self-reliance. By increasing access to money by the poorest members of society, the gap between the richest and poorest members of society is reduced. Community relations and standards of living improve. Traditionally undervalued activities increase in social, cultural and economic importance, as now they can be properly recognized and compensated for.

There are many more benefits than these, as you will see in the following pages...



Poor Baby!
Here, Let Me Help...

Systems for promoting Community Exchange and Cooperation are easy to design, implement and manage. They promote the formation of transparent and democratic organizations, and community leadership. They have to be that way so that the community has full control over its own development.

To keep development resources in the hands of external professionals, consultants and managers is like treating the community like a baby that can't feed itself.

The result is a community which describes itself in the worst possible terms in order to try and get the most amount of money, of citizens who must ask and beg and sit idly until the resources are doled out to them.

Externally-driven development creates a permanent self-fulfilling demand for its services, and will never solve the problems many communities face.

Only when the community has control over money, the power to make decisions, and the responsibility for its own solutions will we finally begin to see lasting programs to end poverty.

From the South to the North, North to South and Back Again

The modern global economy had its not-so-humble origins in ancient Babylon, some 5,000 years ago. Originally, communities, temples and producers issued tokens representing goods they were willing to trade. Sometimes they wrote cheques on clay tablets, or provided receipts for stocks of grain held in storehouses, as in ancient Egypt. Originally, there was no interest charged on this money, because it would be like charging your friend interest and that is taboo, even today.

This was sufficient to coordinate local trade, but as inter-local and international trade grew, these groups began charging interest to cover the risk involved in transporting their goods over increasingly large distances. This brought in so much wealth that new classes of wealthy were formed, who wanted the idea introduced into their own communities. Soon, people who could not repay their debts would be enslaved, family members sold, their land taken from them. So there used to be an old law to "clean the slates", to wipe out all debts past and present and to reset the economy on an even-keel again.

In the modern world, people have become so greedy that they don't wipe the slates clean anymore, and we see the large majority of the world in debt so deep as to be unrepayable, to a tiny minority of the world, which contributes to global political and economic instability. By the 1920s, the economic crises had become so bad that communities in the northern countries started issuing their own money, while in the south many communities maintained their traditional forms of exchange.

By the 1990s, there were community exchange systems in all of the wealthy countries of the world, Japan, North America and Europe, with some 4000 communities managing their own complementary currencies today.

In 1995, efforts began in several southern countries to try these models out or to test their own solutions. In Mexico, Turkey, Senegal and Argentina, different communities, unknown to each other, began experimenting with community currencies. When they found each other, they realized they were speaking the same language and using very similar approaches. Some efforts, especially in Argentina, did so well that they far surpassed the best and largest systems in the north! Today many countries in the global south have community exchange systems that combine modern methodology with traditional know-how to develop what some describe as a New Traditional Economy.

In 1999, several community exchange organizations came together to launch the Latin American Socio-Economic Solidarity Network, and this network model is now being promoted in Europe. (<http://www.redlases.org.ar>, <http://www.appropriate-economics.org>).



Product Tokens from Susa, Iran (3500 BCE).

Clockwise from left, 1 jar of oil, 1 garment, 1 measure of metal, one unknown item, one measure of honey, one garment, traded some 5,500 years ago!



Choose Your Tool

Money can take a wide range of shapes, sizes and forms. Here we see samples of a Smart Card, Tabu Shell Money from Papua New Guinea, National Currency of Papua New Guinea (Kina) with Shell Money on it, and a cheque book used by the Peanuts Local Exchange Trading System in Japan.

Of course, there are plenty of other types of money out there.

From Shell Money to Smart Cards and everything in between...

Community currencies, coupons for recognizing values and facilitating exchange, are as old as human civilization. At their core, they are basically the same, but like so many things in this world, like lawyers, people have found ways of making them so complex that only experts can figure them out.

The Tolai people of East New Britain Province in Papua New Guinea have been using shell money for a wide range of goods and services for at least the last 500 years, and the currency is just as strong and valuable today.

In Japan, experiments are underway to record and value non-monetary exchange, contributions of time, and the sharing of resources using Smart Cards, which is like a credit card with a computer chip in it.

Elsewhere, people record transactions with their neighbours in account books, or use paper notes, or phone in their transaction on an answering machine, or even through their cell phones!

New technology may provide a wider range of transaction options, but for the Tolai people, a fathom of shell money will still buy you vegetables at the local market.

Community Currencies are Complementary Currencies, not Alternative Currencies

Systems for promoting cooperation and exchange use currencies, whether it is recording hours spent working on a project, or money paid for work done. A currency records the exchange of value and recognizes it.

Complementary Currencies mean that they function in complement, together, in partnership with the National Currency of the country. Complementary Currencies strengthen the foundation of the economy, upon which a healthy and strong national economy is built. If people can get what they need, at least in part, using Complementary Currencies, the national economy will be in better shape to weather economic crisis, and the government will be happy that people are working to improve their situations. In this report, we are talking only about Complementary Currencies.

Alternative Currencies are different. They are designed to function independently of the national currency, to provide an alternative if people do not want to use the national currency. Alternative currencies are very rare, and are usually only found in areas of Civil War or liberation struggles, where the opponent to the established order issues its own currency for circulation within areas under its control, and require everyone in the area to use their currency.

When we talk about Community Currencies, we mean Complementary Currencies. A healthy economy needs both domestic trade, and international trade. International trade is best handled with a national currency although we have some solid recommendations for reform, and certainly a lot of domestic trade takes place with the national currency as well. However, we think that a dual currency system, one in which the complementary currency and the national currency circulate together, works best for all.

This is because, if you think about it, the majority of exchange including the work of women, household production, mutual aid, community cooperation, as well as regular trade involving buying and selling goods and services, takes place at the local level. The best way to coordinate productive activity in a local area, as we have seen with the great city-states of the world like Singapore and Hong Kong, is to have a currency that circulates only at that geographic level.

The Two Types of Complementary Currency System

There may only be two types of Complementary Currency System, but within them there can be many variations to suit your community.

Type 1: Mutual Credit Currency System

A Mutual Credit Currency is one in which the members themselves issue their own money for trading, and promise to back their money by providing goods or services at a later time.

Type 2: Fiat Currency System

A Fiat Currency is one which is simply given out, and people are encouraged to circulate it. It is not backed by anything but people's willingness to receive it.

There may be a third type of Currency, called a Stock-Backed Currency, which is when a currency is issued based on stocks held in a warehouse. Sometimes called "Warehouse Receipts", these are similar to ancient Egyptian money, but there are few examples of this kind of money today. However, some people think that issuing money this way offers unique advantages, especially to agricultural communities that suffer from shortages of money at the end of the harvest season, or in ensuring a stable money supply which reflects the real supply of goods and services in an economy.

Two Examples of a Mutual Credit Currency System

1 Thailand

Thailand Community Currency Systems

Location: Kud Chum, Yasothon Province
Partners: CUSO Thailand and
 Local Development Institute
Started: Program: 1997
 System: 2000

Coordinator: Ms. Orasa Sunanta
 Mr. Wanlop Pichongsa
 Ms. Pornpita Khlangpukhiaw

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After the Crash: Bia Kud Chum and the threat of a good example

Thailand Community Currency System's project had its beginnings in the Asian Monetary Crisis of 1997-1999. The community had already begun to facilitate local exchange, but were looking at how they could take this further. They attended a workshop on Community Exchange Systems held in 1997 by volunteers from CUSO Canada and VSO in partnership with the Local Development Institute. The unit of exchange was called 'Bia', and was equivalent in value to, but not exchangeable with, the Thai Baht. Its basic principles are:

- Women-run Community Exchange System. Bia Kud Chum was from the start designed and run by women from Kud Chum.
- Initial Credit Limit of 500 Bia. Those with accounts could withdraw up to 500 Bia, interest-free.
- No Interest. Costs would be recovered through service charges, not through interest.
- Community Market in 3 Villages. A Bia Market was organized in three villages, three different days per week at which people could buy goods using Bia.
- Bia Kud Chum suspended operations on request of the Bank of Thailand in 2000 pending further research, but has now been restarted on a 5 year program and expanded to 50 communities.



1 Bia Note, Bia Kud Chum

On the back of the note, a poem reads:

*"We come together to build up a new society.
 We start saving, and it will bring about
 happiness in the future.
 Let's grow lots of vegetables.
 The surplus after consumption
 will be sold in our community."*

2	Ecuador
SINTRAL (Sistema INtercambio y TRansacciones Locales)	
Location:	Ecuador
Started:	1995
Number of Systems:	50+
Internet:	
	http://appropriate-economics.org/latin/latin.html#ecu

Silent but Effective: Ecuador's SINTRAL

SINTRAL was initiated in the campesino communities by an educator who had learned about the Local Exchange Trading System. Adapting the system to suit local realities, SINTRAL is a completely decentralized network of over 50 community exchange systems. Key points are:

- Mutual Aid: people must work together and help each other.
- Decentralized: no one needs to be in charge.
- Transactions are recorded using cheques.
- Local Production for meeting Local Needs.
- Fostering Community Spirit.
- Saving resources and the environment.
- Currency is called "Recursos", Resources.

Two Examples of Fiat Currency Systems

1	Senegal
Doole – The Strength of Union	
Location:	Dakar
Started:	1998
Number of Systems:	5
Internet:	
	http://appropriate-economics.org/africa/africa.html
ENDA GRAF:	
	http://www.enda.sn

The Force of Community Cooperation: Senegal's Doole

Doole began as a response to a study of community demands for education, health, improved public infrastructure and marketplace. Modeled on the French Systeme d'Echange Locale (SEL), but modified to suit Senegal's culture, Doole is managed entirely by women member's of the Dakar Savings and Loan Society.

A Community Centre was built and paid for with community labour and 'Bons de Travail', the currency of the Doole economic system.

Other activities include:

- Monthly Markets and a Boutique in the Community Centre.
- Doole Popular University was opened to provide training in areas of interest to the community: language, computers, literacy
- Community gardening and infrastructure projects.
- Encouraging savings by building linkages with Credit Unions.



Left: Market Traders at a monthly Doole Market.

Right: The Bon D'Echange is worth One hour of time.

**Sharing Ideas and Experiences between North and South**

The introduction and development of Community Exchange Systems in Asia has been a cooperative project of NGOs from the north working in cooperation with NGOs in the south. Thanks to CUSO Canada, a volunteer agency in Thailand and Indonesia, and to VSO Thailand, as well as the funders Japan Foundation and USC Canada, the first projects in southeast Asia have been implemented.

Left to Right: Bia Kud Chum volunteers Menno Salverda (VSO Thailand), Jeff Powell (CUSO Thailand), Op Sawit (Thai Researcher), Stephen DeMeulenaere (CUSO Indonesia).

2

Argentina

**RGT: Red Global de Trueque /
Global Exchange Network**

Location: Argentina
Started: 1995
Number of Systems: 1000+
Number of Members: 6,000,000+

Amount of Trade Facilitated by RGT:
Over 1 billion US dollars per year

Internet:

<http://appropriate-economics.org/latin/latin.html#arg>
<http://www.redlases.com.ar>

Building a Economy of Solidarity: Argentina's RGT

It all started with a backyard garage sale in the southern Buenos Aires suburb of Bernal in 1995. Everyone brought something they didn't need, and received photocopied paper notes with which to trade. It worked so well, it has grown to over 1000 communities in Argentina. Today, that same garage sale is held, not in someone's backyard, but in a former DuPont Textile Factory, where some 3,000 people go every Sunday to trade. Principles of RGT include:

- Our fulfilment as human beings need not be conditioned by money, and people ought not want for their needs to be met.
- We aim not to promote products or services, but our mutual help in accomplishing a better way of life, through work, solidarity and fair trade.
- We deeply believe in an idea of progress founded upon the sustainable mutual support of the great majority of people of all societies.



Left and Right: RGT members celebrate the agreement of cooperation signed with the Minister of Economy, 2000.



Below: Any given Sunday in Bernal, thousands of people come to spend, not scarce Pesos, but abundant Credits. A full range of goods and services can be acquired here, anything anyone needs.



Advantages and Disadvantages of these Two Types of Complementary Currency Systems

Type 1: Mutual Credit Currency

Advantages

- Simple to manage, transparent, sound way of issuing money.
- Easy to audit, impossible to steal from.
- Gives access to money to everyone, not just those who are already wealthy.
- Individual and community responsibility for maintaining the currency.

Disadvantages

- Requires some administrative ability and dedication.
- Requires some overhead to ensure transparency and accountability.

Type 2: Fiat Currency

Advantages

- As long as the money supply is less than the value of goods and services available, no problems. Over-issuance can cause inflation in prices and collapse of the system.
- Ensures each person receives an equal amount of money.
- Requires little overhead to maintain.

Disadvantages

- Lack of transparency can lead to abuses, over-issuance of money.
- Problems of over-issuance are difficult to solve, often lead to collapse.
- No individual responsibility for maintaining the currency.

What We Need to Know About Money As It Is Now

Money is full of contradictions: it's the root of all evil but everyone uses it; everybody complains about it but everyone needs it; economists say money is neutral but few get very rich at the expense of many; there are booms and there are plenty of busts. There are four things about money, meaning national currency, that we need to know:

- 1. Money Comes... and goes...** Money is meant to move around. It only works when it changes hands. It goes from the customer to the store, to the supplier, to the manufacturer, to the employee, to the bank. So whenever you spend your money it's gone, and in a couple of moves or less it's out of the community.
- 2. There's never enough!** There isn't a limitless amount of money -how could it work if there were? But how come there is never enough? Why do people and resources sit, waiting for money to complete the exchange?
- 3. Interest is charged on it** So we compete with each other for what there is. It's a distribution game, and when the money arrives here, it means it's gone from someplace else. We have to pay interest on the money we borrow, or we have to pay prices that include the cost of interest that someone else has to pay. Either way, we all pay, and it is not possible for all of us to pay off all our debt. Somebody may win, but people definitely lose.
- 4. It's not our money** The money supply is controlled by the central government. Their first concern is the value of their money on international markets. The more scarce their money is the more valuable it is. However, we need the same money as a medium of exchange to buy our daily needs. This fundamental contradiction means that people and resources sit for a lack of money. Their money is not in our control, either as individuals or communities, no matter how much political power we have. So when we're out of money, we're out of it until someone sends some more.

Some Conclusions

Conclusion One: The Present Global Economic System is Unstable and Unsustainable

The money supply, both nationally and internationally is constantly expanding. This means that prices continue to rise over time. Think about it, how much did you pay for a 12 eggs, a pack of cigarettes, a bottle of milk ten years ago? How much is it now? Although prices keep rising, this excess money does not stay in the productive economy. Instead, it filters into the financial markets, where it now sloshes around in capital markets, causing monetary and economic crises in many countries around the world, especially in the weakest ones.

Conclusion Two: Political Democracy minus Economic Democracy = Nothing

In the ancient democracies, slaves were not allowed to vote. One point of view says the wealthy thought that the poor were too stupid to vote. Another way of seeing this is that the poor are dependent on the rich for their livelihood, and therefore were not in the same position of being able to vote freely. Poor individuals and poor countries have few political choices when they are economically dependent on rich people and countries. Economic democracy is essential for political democracy to flourish.

Conclusion Three: What you have is much more important than what you don't have

The philosophy of charity is based on describing the situation as being as bad as possible in order to receive charity: what you do not have is more important than what you do have. This sets up a cycle of dependency that is very hard to break. Why bother trying if you get what you need by not trying? However, when communities look at what they have, their assets, they can decide together on how to best mobilize those assets for their own good, and the good of their communities.

Conclusion Four: Action is Necessary

Rights are not given to people, they must be taken by the people and upheld. Your economic rights, to life, livelihood, to credit, to an available means of exchange, to have a say in economic decisions affecting your life are but a few of your economic rights.

What we have talked about in the previous pages is about taking action. A community that works together, using its assets to overcome challenges is on the road to success!

Where to Begin? Start an Exchange Club! by Heloisa Primavera, Argentina

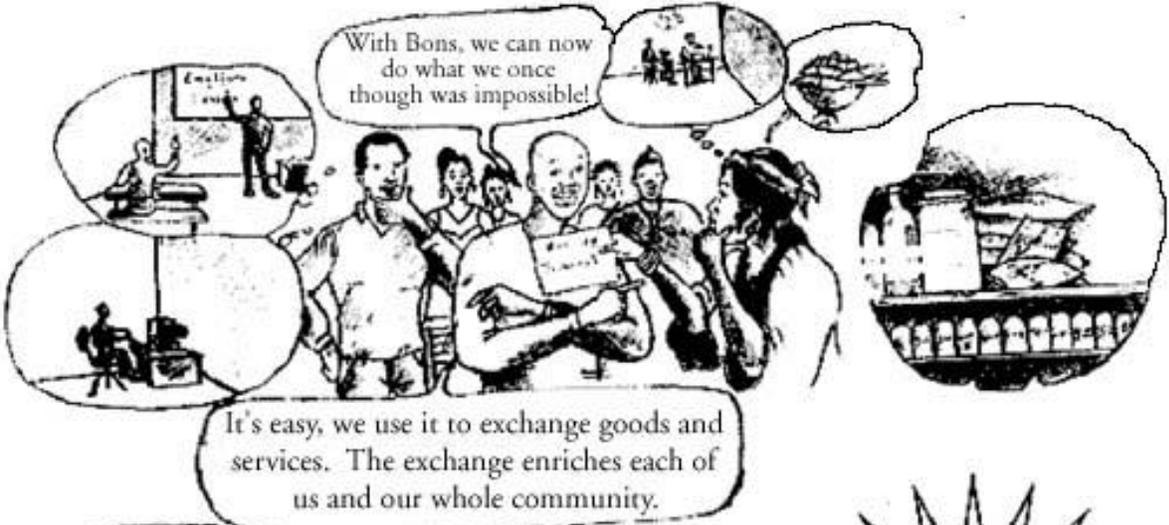
Purpose: To introduce the concept and mechanism of the RGT Exchange Club.

Materials: Photocopied notes denominated in the value of the national currency or in hours of time.

Process:

1. First meeting: there must be a minimum of 20 persons.
2. Using a bulletin board or going around in a circle, each person says 3 things they would offer if they joined, and one thing they need. Everyone must have at least 3 things to offer.
3. Each person receives an amount of photocopied, for example \$10 USD equivalent. They go to the person who offers what they want and make a sample negotiation in the local currency. At the end the remainder is returned to the accountant who records the new balance next to each person's name.
4. Discussion of the program. People are asked to bring goods to trade at the next meeting, or be prepared to negotiate for real goods and services to be traded at the next meeting.
5. At the second meeting, the group is organized. They choose the coordinator, secretary, treasurer, timekeeper, moderator, Quality Control Group (3-4), Price Control Group, the receptionist who receives and assists new members, 2-3 for each role to rotate during the market.
6. This groups receives an equal amount each to begin trading. All subsequent members must wait 2-3 months before they receive theirs. They agree on the next date of the market.
7. The trading begins. During the first market, the coordinators put up the tables, and ensure that particular types of products are concentrated in groups.
8. At the end of the market, the credits are returned and recorded in the name of the person. The credits are counted up to be sure that none have been taken home.

More ideas at <http://appropriate-economics.org/materials.html>



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