

Bristol Pound Roundtable: The Future of Complementary Currencies

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“If you want to change the way the world goes round, first you have to change the way money goes round.”

Tom Burke

1. Executive Summary

1. Local currency providers need to develop in several ways to remain relevant into the future. They need to:
 - be more agile;
 - make better use of technology;
 - respond effectively to users' needs;
 - focus on value to customers;
 - minimise overhead costs;
 - have governance mechanisms and organisational structures in place which enable them to work effectively with other economic change agents;
 - have a good understanding of how to drive economic and behavioural change; and
 - work in partnership with local strategic bodies (including councils, universities and local financial institutions).

2. Local currencies have struggled to scale up and become financially sustainable. This is due to:
 - a failure to drive consistent behavioural change amongst users and potential users;
 - technology lagging behind that in the wider economy; and
 - not enough clarity about the value proposition for different sorts of users, i.e. both businesses and consumers.

3. Increasing the volume and value of business-to-business spending is essential if local currencies are to have a real impact on a local economy. There are a number of ways of providing real, measurable and tailored benefits to businesses which engage actively with a local currency, such as providing marketing services, networking opportunities, and procuring access to funding for investment.

4. Local currencies have a key role to play in the trend towards city-based economic agendas, as an enabling local currency layer so that cities' economies can be:
 - fairer;
 - more inclusive, diverse & economically resilient; and
 - more sustainable.

2. Introduction

On 31st October 2018, a Roundtable was held at the Engine Shed in Bristol on the future of local currencies. It was convened by Bristol Pound with sponsorship from Friends Provident Foundation.

The purpose of the Roundtable was to explore what contribution local currencies have and could make towards a fairer, more resilient and sustainable economic system that serves society and works for all. This paper includes the essential discussions from the sessions. For a full list of attendees see Appendix 2. The Roundtable focused on four issues and examined a number of key questions:

1. Local currencies: the current position

- 1.1. What have local currencies achieved so far and why do many fail?
- 1.2. Can a local currency become a real economic disruptor and make systemic interventions which help to bring about local economic transformation?
- 1.3. Why haven't local currencies had greater impact to date and what would it take to change that?
- 1.4. Can money be a tool for good, with a functioning local currency that has values at its core?

2. Challenges and barriers

- 2.1. How do local currencies build trust with consumers and businesses?
- 2.2. How do local currencies match the convenience of competitors by using technology to leapfrog mainstream money systems?
- 2.3. How can local currencies use the global and local interest in local currencies, (which demonstrates the appetite for there to be another and better way of doing things) to have deep and lasting impact?
- 2.4. How do cryptocurrencies and blockchain fit into this picture?

3. Exploring the future for local currencies

- 3.1. Can technical advances take a local currency to the next level and ensure that the payment systems of the future are not just designed with profit maximisation and market domination in mind? How do we ensure that local currencies are on the agenda as future payment systems are developed?
- 3.2. There are continuing low levels of trust in the current system, along with ongoing uncertainty and instability. Can we work with this to build something stronger?

- 3.3. Can we turn interest into real engagement – increasing the frequency and value of transactions and ensuring currency circulates amongst businesses, localising supply chains effectively?
- 3.4. How can we measure the non-financial impact of local currencies on local economies and communities and how they impact on significant issues such as inequality and community resilience?

4. What work needs doing?

- 4.1. Technological change.
- 4.2. Behavioural change – consumers and businesses; developing the ecosystem.
- 4.3. Identifying, measuring and managing quantitative and qualitative impacts.

3. Local currencies: the current position

Currencies like the Bristol Pound demonstrate that the current economic and social constructs can be challenged. It is increasingly being recognised that economic power and the possibility of economic change can rest at city or local level – not just with nation states. For example, the Global Parliament of Mayors (which met in Bristol in October 2018) found that local economic power “strengthens the voice of cities in global governance structures and elevates the voice of city networks on key global challenges.”¹

Local currencies also foster independence, creativity and facilitate the engagement of local communities in the economy. They provide an opportunity to support local businesses to be stronger in a world dominated by big business and banks. The Totnes Pound² inspired people and started debate about local pride and community, as well as wider conversations about means of exchange, including schemes like time banking.

1. What have local currencies achieved so far and why do many fail?

Local currencies have created a dialogue and awareness about the role of local economic loops; and have fostered an understanding of new economic thinking. Also, many of them have created important partnerships – for example Echo³ with the London Legacy Development Corporation.

¹ <https://globalparliamentofmayors.org/mission-statement/>

² <https://www.totnespound.org/>

³ <https://economyofhours.com/>

There is clearly an appetite for local currencies and yet so far none in the UK have scaled up or become fully sustainable. Why do they fail? They can be resource heavy, with a breadth of skills required and technical platforms which can be expensive to develop, hard to get right and very fast moving. They need to have real clarity about their value proposition, for both business and consumer members. Business members need to see that a local currency drives more business their way and gives opportunities to trade with other local businesses who have a commitment to their locality.

Sustained use of local currencies require behavioural change (which is tough) and many haven't achieved critical mass or created a really compelling narrative. Sometimes founder teams haven't had the skills needed to scale or been able to establish the right business model. Too often they have tried to do things alone, without the backing of key partners, such as local authorities.

2. Can a local currency become a real economic disruptor and make systemic interventions which help to bring about local economic transformation?

Bristol Pound aims to support local businesses and develop a resilient and inclusive local economy by keeping money circulating in Bristol. For this to work, people need to be convinced that local is best. Judging the success of a local currency is often based on the number and value of transactions – and yet encouraging people to think local and to understand the economy differently may be a more important impact.

In some countries, including France and Switzerland, local currencies require business members to sign up to a set of values; for example, there may be an annual sustainable management audit, continuous improvement policies and processes or a fair trade purchasing policy. Money can also be used to incentivise certain behaviours, such as receiving points for cycling to work or picking up litter.

Most local currencies are backed by fiat currency; to be truly a disruptor, an unbacked currency would enable the creation of money - though this might be seen as worrying by some members (businesses and consumers) who value the perceived security of their account being backed by Sterling (or Euro) and would make part payments in a mixture of sterling and local currency very difficult. In a backed local currency, prices are based on the mainstream economy rather than on values such as environmental cost. Currencies could be based on measurable resources like energy or hours of labour (as with time banking). Money then becomes a label, signalling 'brand' values, rather than just a means of exchange. Of course, education about money and the economy is in itself disruptive.

3. Why haven't local currencies had greater impact to date and what would it take to change that?

Lots of people are supportive of local currencies, but don't understand how using one will actually support them. For them, switching some of their spending can feel like a big ask. Incentives such as bonuses, interest free loans and discounts would all encourage more people to become active users. For businesses, promotion and networking are another key part of the offer.

For example, Colu is a private free to use payment system, which looks like a local currency. It has incentives for consumers, such as cashback on sign up and top-ups, and a penalty to dis-incentivise conversion back to Sterling. It operates in Liverpool⁴ & East London.

Technical platforms need to create a gateway for users, rather than a barrier - local currencies should be easy to use. For this to happen, regulatory issues need to be resolved, making sign up, mutual credit, and loans all easier for potential users. Mutual credit is a powerful B2B tool and would be helpful for small businesses.

4. Can money be a tool for good, with a functioning local currency that has values at its core?

Local currencies need to be more relevant to business and consumer users, financially attractive, and measurably making a systemic change locally. Increasingly, cash is seen as having a high cost to users (often poorer people) and being linked to the black economy, so local currencies need to begin to move away from cash to mobile & card-based platforms.

We need to ensure that the operating model delivers the aims. At the heart of this is being clear about the balance - B2B or C2B - in what a local currency is trying to achieve, so that incentives, sales and marketing efforts, and communication are targeted effectively at meeting the needs of consumers and businesses.

4. Challenges and barriers

Local currencies need to become mainstream, with a growing membership and the right key partners. They need to change behaviour, to get people to use a local currency more. This is likely to involve incentives to reward use of the currency, encouraging businesses to find ways of interacting more seamlessly with the currency and acting as brokers to help businesses to find suppliers who accept a local currency.

⁴ <https://www.colu.com/community/liverpool>

Technology needs to be convenient for consumers who are used to using apps and cards as payment methods. The needs of larger businesses have to be met as well, such as till reconciliation across sites and automated ways of paying suppliers. Solutions that other local currencies can share will become more important to manage development costs.

Currencies are not self-financing (no country runs its national currency with an expectation of generating income). The business model of local currencies need to be realistic about generating more income through increased trading, realistic transaction costs and a value proposition that customers will pay for. It is likely that as the impact of local currencies grows, municipalities will want to get more involved and provide some of the core funding.

The internet encourages people to shop through enormous global players with underlying economic strength. This makes it harder for a local currency to overcome people's laziness (the 'one click' effect), to get traction and to tackle the fact that consumers and businesses face time pressures. In reality, it does take extra effort to use a local currency.

1. How do local currencies build trust with consumers and businesses?

Local currencies benefit from partnerships with key local stakeholders (such as a City Mayor or a university) who can provide legitimacy. Business partners can also do the same, through engagement promotions to both their own staff and to customers. There is value in being closely linked with council agendas, such as local procurement of goods and services.

Internationally, there are many examples of currencies which have found ways of addressing the challenges:

- The starting point for the Chiemgauer currency⁵ was a school - it was all about community and people. Chiemgauer has promoted the need to change the conversation from 'me' to 'we'. When people ask 'What's in it for me?', the response is 'You mean, what do we as a community get?' And the answer is that 3% goes to local initiatives each time money is changed from Euros to Chiemgauer.
- In Barcelona, local government benefits can be paid in the local currency. In Bristol, council tax and business rates can be paid in Bristol Pounds.

⁵ <https://www.chiemgauer.info/>

- Sardex⁶ (in Sardinia) has expanded to include cultural festivals, with musicians and artists participating in the currency; and a B2B credit system, which has been very important for the business community (with €80m traded in 2017).

2. How do local currencies match the convenience of competitors by using technology to leapfrog mainstream money systems?

It is important that local currencies match the convenience of national currencies. Technical platforms are challenging to develop. Echo, a time bank in east London, started by using an off-the-shelf platform but found that it was clunky and didn't meet the needs of users. They developed and launched their own bespoke platform in 2016, which has enabled them to increase scale and engagement - but keeping pace with fast-moving tech advances and expectations for user experience is an ongoing challenge. Technical solutions quickly become out of date and are expensive, so it is hard for a local currency to match the level of functionality of something like Colu, which is very user-friendly, with a DIY approach.

A shared platform could be used for mutual credit amongst businesses (allowing the creation of money in the system) or could be backed by Sterling. Business-to-business banking raises different issues (such as file uploading and multiple sign offs of transactions) and often local currencies are trying to provide services to meet a wider range of needs.

3. How can local currencies use the global and local interest in local currencies, (which demonstrates the appetite for there to be another and better way of doing things) to have deep and lasting impact?

Local currencies provide a sense of solidarity in communities around the world. This is particularly important in fractured societies and at times of uncertainty. A local currency can link people, bringing them together around a set of values.

To have real impact, local currencies need to think BIG! They should be brave and look to provide a viable alternative to austerity. They should think bigger than consumer spending and design something that is equal to the needs of their community, rather than settling for something that appeases authorities. This should involve studying schemes around the world and selecting aspects of them that will work to fit the needs of a certain community.

Demurrage (a charge to people using the currency, so a form of negative interest rate) can encourage circulation. For example, the rate of circulation for Chiemgauer is about

⁶ <https://www.dw.com/en/italys-b2b-cashless-sardex-currency-set-to-take-on-the-world/a-45300395>

3.5 times higher than that of the Euro. However, levying it can create a negative impression, particularly with prospective members.

4. How do cryptocurrencies and blockchain fit into this picture?

Crypto provides an exciting potential way forward, by eliminating the need for banks through enabling peer to peer transactions. Chiemgauer envisages developing a blockchain-based mobile app, with rewards for eco-friendly behaviour and believes that impact investors are prepared to fund this. Stablecoin⁷, a cryptocurrency pegged to a fiat currency is also an interesting development.

5. Exploring the future for local currencies

If we are to achieve the IPCC recommendation⁸ that global warming should be kept to a maximum of 1.5°C, we need to decarbonise and de-materialise. This will require localisation, creating an opportunity for local currencies to position themselves as part of the solution.

The economic system is failing many people, creating inequality both in wealth and in access to goods and services to meet people's needs. We need to develop a fairer and more democratic economic system which gives agency back to people. Global companies have control of increasing amounts of our personal data, including most recently our financial activity as they increasingly process our transactions. This means that they can now merge their understanding of our identity and our economic activity. This will lead to even more power in the hands of global giants. But we must ask, who should own the data? "Self-sovereign identity is the concept that people and businesses can store their own identity data on their own devices, and provide it efficiently to those who need to validate it, without relying on a central repository of identity data."⁹

The field of digital technology continues to change and develop at a rapid pace, creating a vast array of new technologies. This could create an opportunity for local currencies, with the potential to disrupt current financial systems. Money is moving into a new environment as the traditional money transaction is changing and payment transactions are going on behind the scenes. Local currencies need to design technology which helps to address the key issues, such as climate change and economic inequality.

Who issues money is a fundamental question. The type of money created depends on the issuer, who may be central banks, clearing banks, companies or communities. The current financial system doesn't capture the value of activity that is creating social equity or protecting

⁷ <https://en.wikipedia.org/wiki/Stablecoin>

⁸ <http://www.ipcc.ch/report/sr15/>

⁹ <https://blockchain.tno.nl/blog/self-sovereign-identities-it-is-going-to-happen/>

environment. Time banking is one way of rewarding people that is outside Gross Domestic Product.

1. Can technical advances take a local currency to the next level and ensure that the payment systems of the future are not just designed with profit maximisation and market domination in mind? How do we ensure that local currencies are on the agenda as future payment systems are developed?

We need payment systems which, rather than favouring the wealthy, are of broader benefit. Money is a tool, and should minimise friction in economic interactions. For local currencies and other organisations trying to create a community of value, impact and values are central. However, if a city council (or another values-led organisation) were issuing money, they would still want the most efficient payment method, so the money system itself would still have to be competitive.

Blockchain could be a key. It doesn't have to be speculative, as a blockchain itself is neutral and can record a range of metrics, such as environmental and social impacts. But technology is never really neutral, as it may have unintended consequences at the least. The technology used needs to be future proof and able to develop to meet evolving needs: blockchain may offer this.

Local currencies need to shift their focus from the volume of transactions to the underlying values. We need to change the market and how the future of capitalism is seen. The attitude of chasing money for the sake of it is being impacted by social media – perhaps the tide is turning and people's attitudes are beginning to change, so they are more focussed on being part of a community of value?

Local currencies need to maintain a start-up mentality, seeking investors in lean and agile development to enable them to explore, scale and optimise. They also need to focus on projects and partnerships which bring real benefits to communities. Business users need to pay more of the costs of running local currencies - for this to happen, they need to see real benefits; increased volume and value of sales from incentivised customers.

2. There are continuing low levels of trust in the system, along with ongoing uncertainty and instability. Can we work with this to build something stronger?

This is very difficult! Although challenged and mistrusted, there is a very high level of legacy protection afforded to Sterling and other fiat currencies. The current financial system works for many people, and has a long track record. There is a fear of the consequence of change - if we fiddle with this system, what will happen? Perhaps what

we need to do is to build something local (backed by Sterling) that has greater resilience - a semi-insulated and locally supported currency as a stepping stone to longer term even more individual local currencies.

Local currencies were created as a result of a lack of trust in the economy. The converse of this is that the greater the levels of trust in local currencies, the less they'd need to be tied to sterling. Narrative is crucial in bringing about behavioural change, especially as mass movements often step back at the point where they could take power, because they fear the consequences.

3. Can we turn interest into real engagement - increasing the frequency and value of transactions and ensuring currency circulates amongst businesses, localising supply chains effectively?

We need to make the use of local currencies easier and more convenient, so that the time from sign up to use is reduced from weeks to an hour, followed quickly by a bonus or reward for using the currency. This is how behaviour change is facilitated.

Echo is an example of a successful time bank. It has a core of regular users alongside those who may use it on a more occasional basis, depending on their needs: for example someone might visit Echo to access a particular service and then come back 18 months later to offer help or access a different skill or resource. Sustaining engagement amongst members requires both ensuring that the network consistently provides a wide range of useful services, and that members are regularly nudged and prompted about what is available.

4. How can we measure the non-financial impact of local currencies on local economies and communities and how do they impact on significant issues such as inequality and community resilience?

We need to measure impact for internal and external reasons. Internally, to see if goals are being met and to flex activity to deliver goals. Externally, to raise funding, promote interest and prove the case for regulation & policy change. We need to be able to capture and track data to understand the system and correct it.

There are many non-financial impacts of local currencies, which can be used to shift the narrative about economics and money:

- they generate social capital, which is difficult to define and measure, such as networks, access to services and opportunities and civic behaviour;

- they support the local economy, to the extent to which transactions have been converted to local or totally new activity;
- there are social and environmental benefits of local spending, including carbon reduction;
- they can reduce disadvantage and increase social inclusion;
- they may help to meet the Sustainable Development Goals, through a network of local currencies;
- a local currency can be part of an ecosystem change approach;
- at an individual level, there can be significant impacts;
- a local currency can be a disruptor;
- information helps to redesign local money for the future and motivate members, creating solidarity, community resilience and trust; and
- currency is a tool to reach a dream, valuing time and resources more equally.

6. What work needs doing ?

Technical Change

Technology should be the easy bit when the aims and value proposition are clear and agreed. In organisational and governance terms, this means being more agile, thinking like a start-up and maximising value whilst minimising cost. We need to be crystal clear about the value we are creating, ensuring that is part of the build and design. We need to ask people for support, who may not realise we need it.

- Is the future smart money “money that understands us”¹⁰ rather than money that we understand?
- Is the concept of a bank account becoming obsolete, with payment systems which can offer multiple payment options now more important?
- What will data allow us to do with money that we can't do now?

¹⁰ David Birch, “Before Babylon, Beyond Bitcoin”.

- Will advances in Artificial Intelligence (AI) and Machine Learning (ML) mean that we may have agents negotiating transactions on our behalf?
- Just as the computer is increasingly embedded in everyday life, will money also become invisible/embedded?
- How can local currencies be part of giving control back to individuals and their communities?

Behavioural change and ecosystems

It's essential to work closely with key stakeholders, including local councils, universities and the NHS – all of them an important part of the local economy: as employers, as procurers of goods & services and as players in setting local economic agendas. Larger local employers can also be important, though they may not be seen as a fundamental part of a local currency. Working with communities is also needed, so there are inevitably pressures on time and resources as most local currencies have very limited capacity. Developing networks and learning from other local currencies is vital.

Careful messaging to engage, influence and follow up with businesses is key, as the B2B opportunities are key to greater engagement.

Identifying, measuring and managing quantitative and qualitative impacts

Local currencies stay local, though evidencing this can be difficult. We believe that local currency facilitates local transactions though the extent of displacement is hard to measure.

However, if we are going to measure something at point of transaction, it could be more about social capital. We believe spending locally builds economic resilience. Impact questions need to be based on consultation; asking users what they want the impacts to be means that they are invested in making the changes they say they want.

We need to think about how we frame our value system, so that it is inclusive and reflects intrinsic values such as compassion, fairness and community. We need to be clear about our narrative so we can collect relevant data. Governance needs to include a range of stakeholders and find ways of developing consensus and engaging people in regular review and renegotiation of values.

To be effective, local currencies need to increase their scale and impact. Currencies may want to be open to all potential members, or have criteria which exclude some people and businesses, by requiring a commitment to green and social values. This is an issue which needs further exploration. For example, future engagement could be focussed on business which are already B Corps, so that the local currency is a tool for building solidarity, overlap and partnerships amongst like minded businesses.

7. Conclusions and recommendations

- To generate the maximum impact in the local economy, the growth of B2B transactions is key. This involves increasing the length of supply transaction chains within the currency members, which in turn increases the velocity of the currency and thus creates the 'local multiplier effect', through which the work of each unit of currency in the system is increased.
- There is a need to develop a clear value propositions for different sorts of members, as well as expectations of behaviour change. We need to be clear what members are gaining by joining the scheme and by behaving differently through their engagement with the currency. This is a vital first step in developing a trading model for local currencies, through which currency organisations can fund their own core work and move beyond a reliance on grants, which is unsustainable in the longer term. Given that the scheme exists primarily to support the business members, it is likely that they will be the obvious candidates to charge for membership or services, so the development of the value propositions for businesses is particularly important.
- Each currency organisation has been largely finding their own solutions to technical challenges. This has led to slow and costly technical development. It is important for currency organisations to work collaboratively, not just with other currency groups, but with the wider fintech community. In this way, local currencies are more likely to have an agile approach to technical development, creating value-for-money solutions rapidly, and to build on previous work and learning.
- The ability to procure loans in local currencies is important, both as a source of liquidity within the currency, and as part of the value proposition to help SME members develop and grow.

Appendix 1

References and useful reading

Real Economy Currency, Barcelona <https://rec.barcelona/en/home>

David Birch 'Before Babylon, Beyond Bitcoin', London Publishing Partnership, 2017

Bristol Pound <https://bristolpound.org/>

Chiemgauer <https://www.chiemgauer.info/>

Echo <https://economyofhours.com/>

Appendix 2

Attendees

Sally Britton, Non-Executive Director, Bristol Pound

David Clarke, Head of Policy and Advocacy, Positive Money

Diana Finch, Managing Director, Bristol Pound

Stuart Harrison, Director, Clarion Bond

Ben Heald, Chair, Bristol Pound

Nic Hemley, Chief Technical Officer, Bristol Pound

Sarah Henderson, Director of Operations, Echo

Patrick Hynes, Trustee, Friends Provident Foundation

Bob Knowles, Partner, Empower Community

Ian Madle, Membership Manager, Bristol Pound

Robin McDowell, Economic Development Team Manager, Bristol City Council

Ciaran Mundy, founder and former CEO, Bristol Pound

Frances Northrop, Principal Director, Communities and Localities, New Economics Foundation

Martin Parker, Professor of Organisation Studies, University of Bristol

Christophe Place, research fellow at the Universities of Cumbria and Lancaster

Stefan Schütz, Board member, Chiemgauer

Danielle Walker Palmour, Director, Friends Provident Foundation

