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Not So 'Mickey Mouse': Lessons in the Nature of Modern Money from Complementary Monetary Innovations

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The financial crisis shattered many of the shibboleths of orthodox economics and monetary policy. These included the "efficient markets hypothesis" so often used to justify the deregulation of the financial sector and the monetarist belief that inflation targeting through interest rate adjustments was the most effective and only necessary tool for stabilizing the economy (Galbraith 2009). Rather less, however, has been heard about what the crisis means for our understanding of the production and allocation of money. In a similar vein, discussions of financial reform and regulation have mainly focused upon institutions – banks, credit rating agencies, regulators – rather than more fundamental questions about the existing modes and rules around monetary production and allocation. For example, few within the mainstream are questioning the fact that, through a gradual process of centralization, deregulation and advances in ICT, today 97% of money in circulation is issued by profit-making commercial organizations (banks) as interest-bearing debt, while only 60 years ago, this was closer to 50% with the remainder issued as coins and notes by the state (Morrison 2006: 51-53). This despite the 'unorthodox' ventures in to quantitative easing by Central Banks which have revealed that, under a fiat credit-based monetary system, there is nothing to stop sovereign states directly creating money whenever they really need to.¹ Neither has policy focused much upon how reforms of the monetary system might meet the global challenges of inequality and ecological sustainability.²

Two 'mainstream' schools of thought can be identified in modern monetary theory³ (Goodhart 1998; Ingham 2006). The dominant 'Mengerian' (Menger 1892) theory (also Metallist or commodity-theory theory) in orthodox

economics – and also in modern monetary policy, at least pre-crisis – views modern money as arising naturally out of market exchange as a unique kind of commodity against which all goods could be traded and priced. Money is the 'universal equivalent' that enables multilateral exchange and enables users to circumvent the 'coincidence of wants' required for barter (Jevons 1875; Menger 1892). The emphasis here is upon money's key's function being as a means of exchange. When this concept of money is fed in to neo-classical general equilibrium models of the economy, it becomes a 'neutral veil' enabling production and consumption (supply and demand) to meet more efficiently than barter. Such a model is based upon widely discredited assumptions of perfect information and competition (Stiglitz and Weiss 1981). Leon Walrus based his model of general equilibrium upon an omnipotent 'auctioneer' who knew the value of everything immediately all the time. The paradox is that if we really did have perfect or symmetric information about the value of every good and service we wouldn't need money at all, nor financial intermediaries of any kind, as the problem of requiring a double coincidence of wants would never appear (Werner 2005: 193; Lapavistas 2005).

In contrast, the 'Chartalist school' of monetary theory regards modern money as a creation of the state as the only actor capable of guaranteeing confidence in a currency through its ability to act as the guarantor of an abstract 'money of account' (Knapp 1905; Keynes 1930; Wray 1998; Ingham 2004). The unit of account function of money is held to be logically anterior to its role as means of exchange or store of value and held to be vital in the establishment of stable pricing system, large-scale market exchange, settlement of debts and modern capitalism itself (Ingham 2008: 65-92). Money is a social relation of abstract value defined by a sovereign money of account.

The Mengerian school relies mainly upon deductive abstract theoretical models (see Kyotaki and Wright 1989

for a modern micro-economic model of the Mengerian position). The Chartalists draw upon a richer range of research, including wide-ranging historical analysis (Ingham 2004) but very little original research. Economic sociologists have adopted a more inductive approach, emphasizing more the social construction of money in everyday use and the way institutions and people actually produce and use money today (Zelizer 1997; Dodd 2005; Thrift and Leyshon 1997). These scholars suggest modern fiat credit-money, based as it is upon a social relation of credit and debt, requires empirical study of the social and political construction of 'monetary networks' that enable the modern monetary system to function. For Dodd (1994: xxiii):

Each function of money (medium of exchange, store of value) relies on an extended network of social relationships... the analysis of monetary networks provides a basis for detailed empirical study of specific monetary forms without ruling out comparison between them or presupposing which types of social action monetary transaction principally involves.

Recognising the dominance of the financial sector in the production and distribution of modern fiat credit-money, a few scholars have taken up Dodd's challenge in relation to the monetary networks that maintain modern finance (Thrift 1994; Leyshon and Thrift 1997; Mackenzie 2006). A fourth 'function' of money – as a tool for speculation – has gradually become accepted as part of the challenge facing a globalised largely electronic debt-based money system where credit is largely issued by commercial banks⁴ [Lietaer 2000: p332]. Monetary innovation driven by speculative profit was already a popular topic even before the financial crisis with numerous articles on derivatives and securitization and more broadly the process of 'financialisation' (Pryke and Allen 2000; Mügge 2009; Barret et al 2010).

Much less attention, however, has been paid by scholars to monetary innovations that lie outside the world of high finance. This includes both recent state innovations such as quantitative easing and monetary innovations emerging from civil society and the non-bank sector, in particular the small and medium sized enterprise sector which appears increasingly disadvantaged by financialisation and banking consolidation (Dymski 1999). These latter examples are often referred to as 'complementary currencies', an unsatisfactory term that doesn't capture their diversity or function, since often they involve alternative or com-

plementary payment or banking systems as well as actual currencies. I shall instead use the term complementary monetary innovations (CMIs). CMIs are perhaps paid less attention because of their smaller scale and impact. Some in the Chartalist school have used examples of the emergence of complementary currencies to reinforce the argument that money is essentially sovereign in nature, citing examples of 'weak states' giving rise to bartering such as those that emerged in Argentina in 2000 (North 2008; Ingham 2004) and in Russia after the break up of the Soviet Union (Woodruff 1999).

Against the Chartalist position, it has been suggested that financialisation and globalization are undermining the monetary authority of individual states, including its guaranteeing of the 'money of account' function. 'Dollarisisation', the emergence of the Euro and the exponential growth in privately created monetary instruments, such as derivatives, are used as examples to illustrate this phenomenon (Strange 1988; Leyshon and Thrift 1997; Cohen 2000; Dodd 2005). Mengerians might argue that these phenomenon represent moves towards greater efficiencies of scale (Mundell 1961). But there are also interesting monetary developments along an opposite trajectory, involving the decentralizing, some would say 'democratizing' of monetary forms. In particular attention has focused upon the internet as enabling new forms of commercial, social or private online clearing houses that could supersede central bank's roles as guarantors of the unit of account function (King 1999; Hart 2000; Greco 2009). In terms of sheer economic scale, commercial monetary instruments such as loyalty cards, bi-lateral countertrade (incompletely monetized international trade), which is estimated to account for 10% of world trade (Marin and Schnitzer 1995) and, on a smaller scale, regional commercial barter networks also appear to challenge the Chartalist position. These latter examples also extend back to well before the emergence of the internet.⁵

But rather than debating complementary currency's relevance based on economic or geographical scale, we can also turn the argument on its head consider whether interesting lessons about the nature of modern money might emanate from examining CMI's successes and failures, past and present. CMIs can perhaps be thought of as types of large-scale 'breaching experiments' that test the strength of adherence of citizens and institutional actors to assumed social and institutional norms and values around money (Garfinkel 1966; Goffman

1985; North 2010: 203). What both the Mengerian and Chartalist schools have in common is an overly deductivist approach to conceptualising money which neglects the socially constructed and embedded nature of their subject, despite, in the Chartalist case, a recognition that modern money is an inherently social phenomenon.

In this article, two examples of complementary monetary innovation are examined with a more inductive methodological perspective, both of which can be thought of, to some extent, as being stimulated by financial crises: the Brixton Pound (B£) local currency* and the long-standing Swiss WIR credit clearing system**. Both of these monetary innovations are aimed at supporting small and medium sized enterprises, a sector which historically is most endangered by credit crises given their lack of reserves and rapid turnover (Nilsen 2002).

*www.brixtonpound.org and **www.wir.ch

The B£ was launched in September 2009, almost a year to the day after the collapse of Lehman Brothers and with the local Council (the London Borough of Lambeth) having launched a 'Credit-Crunch taskforce' to support SMEs and poorer residents. As a founder-member and now Director of the scheme, I have been conducting 'action research' on the project over the past 18 months with privileged access to its founding, growth and challenges. The Swiss WIR, in contrast, was founded in 1930 following the Great Depression and is perhaps the most successful complementary monetary innovation of modern times in terms of scale and longevity. I review the WIR through secondary sources, particularly the work of the confusingly named Tobias Studer and James Stodder.

The success and failures of these models – which despite both being aimed at supporting the SME sector – are quite different in design, are reviewed and lessons drawn out about what this tells us about the nature of modern money and the social construction of monetary networks. Particular attention is paid to the way in which these two models have attempted to complement or circumvent the dominance of orthodox state credit-money in determining the 'money of account' function.

The Brixton Pound (B£)

One of the most remarkable developments in the UK complementary currency 'movement' in recent times has been the emergence of local, sterling-backed paper

currency schemes in 'Transition towns'.⁶ Following Totnes in 2007, the towns of Lewes, Stroud and Brixton in South London have all launched local 'pounds', the usage of which is restricted to independent businesses in their respective areas. There are also a number of 'nascent' Transition currencies in the planning stages.

The aim of these currency systems is to keep a greater proportion of local spend circulating within a 'local area', support the diversity of the high street and ultimately to help re-localise production and consumption patterns. The idea is that this will create more resilient local or regional economies, less dependent on oil-intensive global supply chains and less carbon-intensive forms of production; both key elements of the wider 'Transition movement' (Hopkins 2008; 2010). Ecological economists have argued for local and regional currencies as important tools for encouraging more effective economic development and greater resilience to external economic shocks (Douthwaite 1996; Jacobs 1985; Lietaer 2001). The currencies can also be viewed as a reaction against the 'Clone Town' phenomenon, whereby the dominance of chain stores and decline of small shops leaves the UK's high streets looking identical (nef 2002). Initial research suggests the Transition currencies schemes also strengthen community networks⁷ and they have undoubtedly raised the profile of the areas where they are situated through widespread local, national and international media coverage. Lambeth council, where Brixton is based, estimated the scheme realized £100,000 of value in terms of positive media coverage for the area. Here I focus upon the Brixton Pound (B£) drawing upon findings from qualitative research.⁸

The B£ can be seen as a monetary innovation that favours the means of exchange function over the store of value function. In fact, the B£ cannot be 'stored' as there is no B£ 'bank'. The aim was that the currency would circulate more rapidly than sterling among Brixton's small businesses, increasing demand through a 'local multiplier' effect, rather than 'leaking out' of the local economy (nef 2002). By backing the B£ against sterling and making it freely interchangeable with, the currency does not challenge the sovereign 'money of account'. Members of the scheme debated alternative 'backings' for some time prior to the launch of the currency but eventually decided, impressed by the launch of the Lewes £ in September 2008, that a sterling-backing currency would be the best way of creating initial confidence and encouraging a critical mass of traders to adopt it.⁹ The group also

opted for a range of security features on each note, again conscious of creating initial confidence in the money.¹⁰

From an orthodox Mengerian perspective, the B£ makes little sense. The B£ fails at least three of Stanley Jevons' (1875) characteristics of successful money (in comparison with sterling). B£s last only a limited period of time (two years), they are not easily exchangeable (there are only two places in Brixton where it is possible to change back B£s to sterling) and not easily divisible (B£s are issued in £1, £5, £10 and £20 notes only with no coins). Perhaps most significantly, the B£ is simply not widely accepted – they can, by definition, only be used in selected businesses. In addition, the transaction costs associated with B£s are also high relative to sterling since the currency is paper only. As one user reports, the B£ is a 'bit of a pain':

"So since it launched anyway, I've used them on and off, but they're a little bit difficult to get your hands on sometimes... If you work nine-to-five, um... So I use them when I can and when I remember, but I don't always, like, they're a little bit of a pain. Like, even when you want to use them, like I do... they're a little bit difficult. And also, it becomes an extra chore... Because you have to go to the cash point and then you have to go to some place where you can do it again. So it makes going to the cashpoint a two point experience."

Only a few of the businesses involved in the scheme believe the B£ is actually boosting their turnover or footfall, most suggesting that the main users were already regular customers.¹¹ In addition, the scheme's organizers have struggled to persuade businesses to offer discounts to customers paying in B£s – currently around one third of such businesses do so – so the economic advantage to the user also appears marginal.

Despite this there are currently around B£30,000 in 'circulation' (that is, issued and not exchanged back in to sterling), 180 businesses accepting the currency (from 60 at the launch in September 2009), ranging across all sectors¹², with only 3-4 businesses dropping out and over 1000 'users' who have agreed to receive emails about the scheme. Users of the scheme, both businesses and customers, appear mainly to be motivated by non-economic, political or ethical considerations. Although an inner city area with high levels of crime and ethnic diversity might seem the last place where a local cur-

rency might successfully be introduced, Brixton has a vibrant alternative subculture, with a history of political resistance, squatting and more recently environmental activism. Hundreds of Brixton residents turned out for the launch of the B£ in September last year. Some of the businesses supporting the scheme related to this history and a shared, identifiable sense of the Brixton 'local economy' as a reason for their participation:

[owner of Brixton cycles] "Its about marketing and its not just about business, its about long term business. So we've obviously been here about what nearly 30 years and we hope to be here for another 30 years... without sort of banging your own drum, we are sort of like a stalwart Brixton business who have been here since the riots, so it adds consistency to people's lives. So its like, "Oh thingy might be in trouble, but there is always Brixton Cycles". Brixton cycles is there, some things are always constant and I think being involved in the Brixton £ just reiterates our commitment to the community..."¹³ (Owner of cycling shop)

Well I mean the Brixton Pound does create a lot of commonality... remember what Brixton is, its kind of a kaleidoscope of different, you understand, coming together... and I think that having that as a common denominator does bring some kind of... you know it does something for the community, it does, it, it acts as a common denominator right, in as much as it is money or in err err and also as to the 'our thing' you know, you understand, the mafia aspect of it, 'cosa nostra', our thing, you understand, everybody loves that.¹⁴ (Sole trader selling ginger beer)

These kind of sentiments support Viviana Zelizer's (1989) concept of money as being structured by cultural and social meaning. Zelizer focused on the way in which orthodox money (\$US) were 'earmarked' for different purposes in the domestic context – for instance pin money for housewives to spend, money for gifts – and how this changed over a 60 year period, from 1870-1930, reflecting changing social norms. When purchasing B£s at least some users might be thought of as 'earmarking' a percentage of their spend for the 'local economy', recognizing the value of small businesses over and above corporate chains:

"Well I think the B£ is really good. Money that actually revolves in the local economy and builds the local economy, and supports local people trying to build their own businesses is a really good idea. I don't like the idea of ohhh money going to a lot of conglomerates, to pay shareholders."

Ummm... who are not doing any work... (User, interviewed 25th June 2010)

Interestingly, the scheme's organizers have struggled to engage many of Brixton's market traders with the scheme. This is a source of some concern given that many businesses that do accept the currency source goods from the market. Many of these traders, although having worked in Brixton for many years, do not live there and were not born there or in the UK (many are have Afghani or Pakistani origins). A typical response that I received many times when talking to them about the currency was 'you can't put it in the bank' and 'its not real money' or 'you can't pay car parking fees or petrol with it'.

These traders clearly saw that the B£ only partially fulfilled one of money's key functions as a store of value – because it could not be 'put in the bank' at least without changing it back in to sterling. Interviews with B£-accepting businesses who sourced from traders and users who had tried to use the currency with them were also revealing, with a number of them intimating that these traders 'background' meant that they were unable to conceptualize the notion of a Brixton currency as having real value:

[restaurant owner] P: "Well the obvious thing is the view that its 'Mickey Mouse' money, and there's a very deeply held view amongst, particularly amongst, ummm, ummm... you know, particularly amongst immigrant and ummm.... Now, you know, and I am actually talking about the shops here, not consumers, and it may well be true of consumers. And quite often, the people who own businesses and operate businesses, don't actually live in the area..."

MT: And on the first issue, the Mickey Mouse money, what do you think we can do about that?

P: I think... I don't know how long it took for other areas to establish their money, but I think its about quantity of the money, you build it up and you build it up until its in regular use, and people are seeing it on a daily basis and you can get over that prejudice..." [Restaurant owner]

[Café owner] SH: Well, to be quite honest with you, I just use various in the market, I couldn't really name one particular one And a lot of them, ummm, a lot of them are sort of like, they're not, sort of they're not of... how can I say this? They're not of local background, so basically you know

all they know is the pound, real pound, you know, they look at your money and they think 'what's that?' Monopoly money, or something like that, do you know what I mean? [Café owner]

[user] Um. I mean I know that some of the, um, traders in the market think its not real money. Like I've heard some of the Afro-Caribbean guys say, oh that's not real money, I'm not taking it. So I guess that's an awareness issue.

We can see clearly from the above comments how the social construction of the B£'s value is an ongoing process, determined by complex and collectively defined conceptions of what counts as the 'the local economy' which determines the trade off with universally recognized additional transaction costs.

The B£ organiser's ambitious aim of genuinely supporting small businesses and re-localising the Brixton economy appears some considerable distance away. Most businesses see a turnover of little more than £30-60 a week at the present time. Very few of the businesses involved purchase supplies from other local businesses using the B£ and many complain of 'just piling it up in the till' and then having to change it back in to sterling. This involves additional transaction costs for the businesses, although it is free of charge, and somewhat undermines the purpose of the scheme. Hence the B£ organizers are attempting to persuade the local council, the London Borough of Lambeth, to accept B£s as a form of tax, as was suggested by the Chief Executive of the Council at the launch of the scheme in September 2011 when he announced he would like 'B£s to be accepted as council tax'.¹⁵ The Council could then act as a clearing house for the local currency, mimicking the state's role at the national level in creating demand through accepting sterling for tax (Wray 2009). To help in this process, the B£ organisers are currently examining the potential for creating an electronic version of the currency that could be traded with mobile phones, allowing for the creation of bank accounts and avoiding many of the transactions costs.

Whatever the outcome of the B£ project, the fact that such a broad range of businesses agreed to become and continue to be involved in the scheme, despite a lack of tangible economic benefit, does suggest the latent potential for complementary monetary innovations based upon values other than profit, even in inner-city London. The B£ monetary network may well be fragile but, at

180 businesses, it may have reached a critical mass in terms of people's confidence in the value of the money. The sheer empirical fact of the scheme appears to fly in the face of many of the assumptions of the Mengerian and Chartalist schools of thought on money. Let us turn now to a much larger-scale complementary monetary innovation which may shed further light upon these tentative findings.

The Swiss WIR

The Swiss WIR (formerly WIR Economic Circle Cooperative or Wirtschaftsring) is perhaps the most 'successful' complementary monetary innovation – in terms of scale and longevity – in modern times. It is a centralized credit clearing system for multilateral exchange with no physical currency but rather debits and credits held at the WIR Cooperative bank. Compared to the B£, the WIR is massive in scale with 68,000 members trading 1.6bn Swiss Francs equivalent in 2009.¹⁶

The WIR was founded in October 1934, in the midst of the Great Depression, as a self-help organization to promote solidarity amongst the Swiss entrepreneurial middle classes. Revenues in Switzerland from exports and tourism had plummeted by 65 percent in the five years between 1929 and 1934 and the domestic economy was suffering from high rates of unemployment and increasing bankruptcies (Studer 1998: 10). The objective of the WIR Cooperative Bank was to enable its members to buy from and sell to one another despite the shortage of official Swiss Francs. The article of intent of the original statutes of 1934 envisioned "to jointly procure and develop possibilities for work through a ring exchange system and mutual help (...) promotion of local industries and trades, and mutual support in all business ventures." (Defila 1994)

Initially members acquired WIR credit by depositing an equivalent amount in Swiss francs, much in the way B£s are currently obtained. Shortly after, however, WIR deposits were created by making "loans" against collateral, just as in the same way as modern credit-money is created by commercial banks. The key differences being that WIR credit could only be traded amongst fellow members of the WIR cooperative and that WIR credits were loaned at zero interest and accrue zero interest whilst being held in the bank. The function of granting WIR credit loans to members "allows for the creation of

an economically significant volume of means of payment, and thus of the needed liquidity for an intense level of barter business, one that can make a significant difference in the economic activity of the individual participant." (Studer 1998: 32). Like the B£, the WIR is primarily designed to favour the 'means of exchange' function of money over its store of value function.

All types of goods and services are exchanged – house painting, hotel stays, used cars, legal services – with offerings posted online and in publications like WIR-Plus. Prices are quoted in units of WIRcredit (or CHW), which for ease of comparison are denominated in – but not redeemable for – Swiss Francs (SFr). The WIR-Bank keeps accounts for each household or firm in terms of its WIR-credits or debits. From the individual's point of view, an account in WIR is much like an ordinary checking account with clearing balances and limits on how large a negative balance can be run.

By the end of 1934 WIR had three thousand participants and its first year of operation, turnover surpassed one million francs, ten times the volume of WIR account balances (Greco 2009: 153). As recorded by Professor Tobias Studer (1998) in his major study of the WIR, it continued to grow steadily with occasional crises and reorganizations and in 1994 turnover peaked at 2.5 billion (equivalent to about US\$1.6bn and 80,000 members) – (Stodder 2009: 81). This was still a small fraction of the total Swiss economy, but a significant amount of the members' combined business volume. In 1996, the WIR bank made the decisions to also accept deposits of Swiss francs and began making loans in Swiss Francs. Since then there has been a large and steady increase in its Swiss franc deposits and the volume of its Swiss franc loans, so they now make up a larger portion of its total turnover than WIR trade. Many trades involve part-payment in WIR.

The WIR's success poses a challenge for the Chartalist position that sovereign-backed abstract money of account is required for modern successful modern money. The WIR has no state-like authority other than the WIR-bank itself and its members, all 68,000 of which agree to accept the WIR at least in part-payment. Why then has it proved so popular? Research by American economist James Stodder (2009), who carried out regression analysis WIR turnover and credit-issue over 56 years, suggests that the WIR is highly counter-cyclical. Its use increases when the Swiss franc (M2 money supply) becomes more

scarce. Stodder argues this may go some way to explaining its longevity and popularity with small and medium-sized enterprises, which make up the majority of its membership and historically tend to be most squeezed during credit crises, a dynamic that can also be seen in the use of trade credits (or corporate barter schemes) (Nilsen 2002).

Interestingly, Stodder suggests the WIR's success is due to it being even less restricted than orthodox fiat credit-money its ability to create liquidity for its members. Whilst the money supply created by a system of demand deposits is fixed by its reserve requirements, the total volume of WIR-credits can grow – or shrink – without limit (Stodder 2009: 85). As Studer (1998: 32) suggests, "every [extra] franc of WIR-credit automatically and immediately becomes a franc of WIR payment medium to be used anywhere in the system". The WIR Bank is able to act in a similar way to a Central Bank for its members as it can, at any time, increase the WIR money supply by creating new or larger overdrafts or loans. This is a clear economic advantage of the WIR over the Brixton £ model which at the moment can only be bought in to circulation with £sterling so does not create any additional liquidity. In fact, in reaction to the 2009 financial crises, the WIR bank even conducted its own program of 'quantitative easing' – called 'Impetus SME' – making available CHF 100 million to 'encourage investment projects' with a maximum loan of 250,000 CHF per applicant.¹⁷

Stodder pays less attention in his analysis to the WIR Bank's adherence to strict cooperative lending principles and refusal to engage in speculative financial activity. Both are factors which may be equally important in its longevity and survival of the financial crisis relatively unscathed. It is also interesting to note the WIR's geographical scale. Unlike many cooperatives in Switzerland and other European countries, such as Germany and Italy, it is national rather than regional in scale, operating across all the Swiss cantons and used by clients speaking Italian, French and German. As Stodder suggests, its capacity to be of benefit to SMEs across such a cultural and physical geography suggests it has the potential to be replicated in other countries. Such a concept, on an EU-wide scale, has been proposed by ecological economists as a solution to future European credit crises (Lietaer et al. 2008) and more generally as the most effective model for 'democratizing' the monetary system (Greco 2009).

Stodder's research is backed up by other studies on the counter-cyclical nature of trade credit and commercial barter systems (Nilsen 2002). However, whilst Stodder makes an eloquent abstract economic case for the adoption and persistence of the WIR, his research says very little about the social and political dynamics – the construction of the monetary network – that have enabled the WIR to succeed.

The WIR bank is recognized as a normal Swiss Bank under Swiss law despite clearly issuing a currency that is not convertible in to Swiss Francs. This is in contrast to the variety of other complementary currencies – 'scrips' – that circulated in the United States in the early 19th century and that emerged during the Great Depression both in the US and Europe, but which were either outlawed or taxed out of existence by Governments and Central Banks who became concerned about losing centralized monetary control (Fisher 1933; Zelizer 1997: 17). Why did the Swiss Government and Central Bank allow the WIR to grow to such a large scale? What are the key properties of the monetary network (Dodd 1994: xxiv) that holds the Swiss WIR together? To what extent are WIR members purely driven by perceived economic gains from joining the scheme as opposed to the ethical or political motives that appear to drive membership of the B£? Given that WIR is not convertible in to the sovereign currency of the state, how do we conceptualise its function as a 'unit of account' and its wide acceptance across 'space-time'? Answers to above questions will require empirical, sociological study – they certainly cannot be gleaned from economists' ideal-type models of the economy.

Conclusion: a research agenda on complementary monetary innovations

Much of the debate about the nature of the money and indeed the 'future of money' is conducted within the confines of incommensurable epistemological paradigms – this includes the Mengerian 'orthodox economics' and Chartalist debate but also Marxist, ecological and feminist economists and more utopian thinkers who point to the internet as enabling the re-democratization of money (Hart 2000; Greco 2009). What these schools appear to have in common is a lack of engagement with how people and institutions actually construct the monetary networks that maintain or fail to maintain their monetary systems that surround us.

A more inductive approach to understanding modern money is required with its theory based upon an understanding of what is actually happening rather than what should happen (Werner 2005: 17). Economic sociology, with its emphasis on the social embeddedness of economic action ((Polanyi 1957; Granovetter 1985) and its embrace of ethnographic research methodologies, is well placed to do this. The initial research described above on the B£ and the Swiss WIR raises a number of interesting questions about the social construction of modern money and challenges the dominant Mengerian and Chartalist theory. Further empirical studies of Complementary Monetary Innovations could serve as a particular useful research arena given their unique positioning in challenging the legal, institutional and cultural boundaries of orthodox 'state money' and the capacity of non-state and non-financial actors to challenge a monetary system with fundamental flaws.

Josh Ryan-Collins is a Researcher at nef (the new economics foundation), a leading UK think tank campaigning for ecological sustainability, social justice and well-being. nef has for many years promoted complementary currencies and helped introduce LETS and Timebanking in the UK. He recently co-authored *The New Wealth of Time*, a major review of timebanking in the UK and United States. Josh is also a Founder and Director of the Brixton Pound (B£) Community Interest Company, the UK's first urban local currency based in inner-city south London. The B£ is currently accepted by 180 independent businesses with B£30,000 in circulation. Josh is trained in Sociology and is also studying part-time for a PhD examining what complementary monetary innovations tell us about monetary theory in the School of Environmental Science at the University of East Anglia, supervised by Dr. Gill Seyfang. He has previously worked in strategic communications for the UK government and in the private sector and for an economic development consultancy. He regularly speaks at national and international academic, policy and NGO conferences and writes for the nef 'triple crunch' blog.

Endotes

1Martin Wolf, Economics editor of the Financial Times, is one of the few commentators who does seem to realize there are alternatives: see for example his article on June 22nd, 'Why it's right for central banks to keep on printing money', where he quotes Milton Friedman's work.

2For critiques of debt-based money based upon ecological and social arguments, see Daly 1999: 133-168; Douthwaite 2000; Llettaer 2000; and Mellor 2010).

3There are range of other 'schools' in monetary theory which we do not have space to discuss here but include Post-Keynesian, 'Circuitist', Marxist, Austrian or 'Free-banking' and Ecological and feminist economists as well as more utopian thinkers. For theoretical overviews see Smithin (2000) and Ingham (2006).

4The vast majority of the world's foreign exchange transactions are held to be speculative in nature (need ref).

5The International Reciprocal Trade Association (IRTA) – a US based association for regional commercial barter networks estimates that \$8.25 billion was traded within its regional exchanges worldwide in 2004 (www.irta.com).

6For in depth reviews of Transition currencies, see Ryan-Collins (forthcoming) and North (2010).

725% of respondents in a survey of users conducted in February 2010 felt the B£ had enhanced their relationships with local businesses.

8The quotes below are taken from qualitative interviews conducted by the author, Annie Quick, Himi Hall and Myfanwy Taylor as part of a paid project to understand the potential for Brixton businesses to source more of their goods locally and as part of an MSc dissertation by Ms. Taylor (Taylor 2010). The quotes should be interpreted as representative illustrations of my interpretation of 'what is happening' with the Brixton £, based also upon my own experiences of initiating the scheme and having regular contact with Brixton businesses and users over the past 2 years.

9Brixton £ group meeting minutes, Wednesday 27th August 2008 and Monday 15th September 2008.

10Brixton £ note design brief, 23rd July 2009.

11Based upon qualitative interviews with 20 businesses, June-August 2010.

12see <http://brixtonpound.org/where/spend>

13Interview with Brixton Cycles by Annie Quick

14Interview with Ossies' Fresh Ginger by Myfanwy Taylor

15Derrick Anderson, Chief Executive of Lambeth Council, September 16th 2009

16WIR Annual reports available from www.wir.ch

17Banque WIR, Rapport de gestion (WIR Annual Report) 2009, 22.

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