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CHIEMGAUER REGIONAL MONEY:  
THEORY AND PRACTICE OF A LOCAL CURRENCY  
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## **INTRODUCTION**

My name is Christian Gelleri, I am 35 years old, married and I am manager of the Chiemgauer. I have studied business administration in Rosenheim and business pedagogics in Munich. After my traineeship as a vocational school teacher I became a Waldorf teacher at the Waldorf school in Prien am Chiemsee in 2002. Prien is in the south-east of Bavaria about 80 kilometres from Munich. The region is called 'Chiemgau'. About half a million people live there.



*Paying with Chiemgauer at lake Chiemsee*

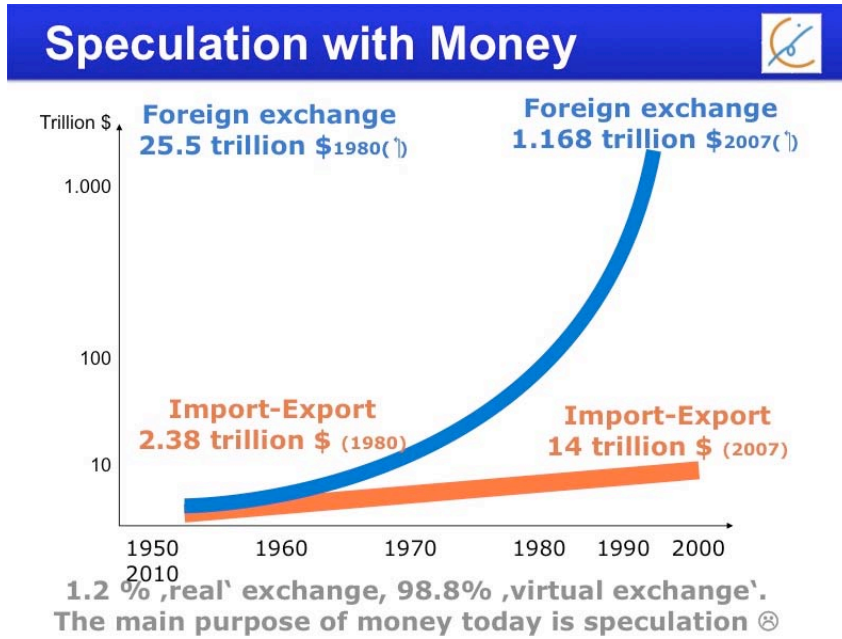
In the picture you see one of our members paying for her meal with the Chiemgauer currency. Her name is Julia Kollmannsberger and she is the owner of a shop called "Regional Market at Prien am Chiemsee". In the background is lake Chiemsee, the geographic centre of our region. No town of the Chiemgauer-region is more than 50 kilometres away from lake Chiemsee.

Chiemgauer is an example for a so-called 'Regiomoney', which is defined as a monetary system only valid within a region which has the size of about one or two districts. The defined region has to be large enough to establish relevant business cycles which can provide the inhabitants with about 50% of needed goods and services.

### **WHAT IS THE PROBLEM WITH MONEY?**

Money is an agreement to use a medium for exchanging goods and services, saving and investing in business and donating to non-profit-organizations. But money is also used for hoarding and speculation.

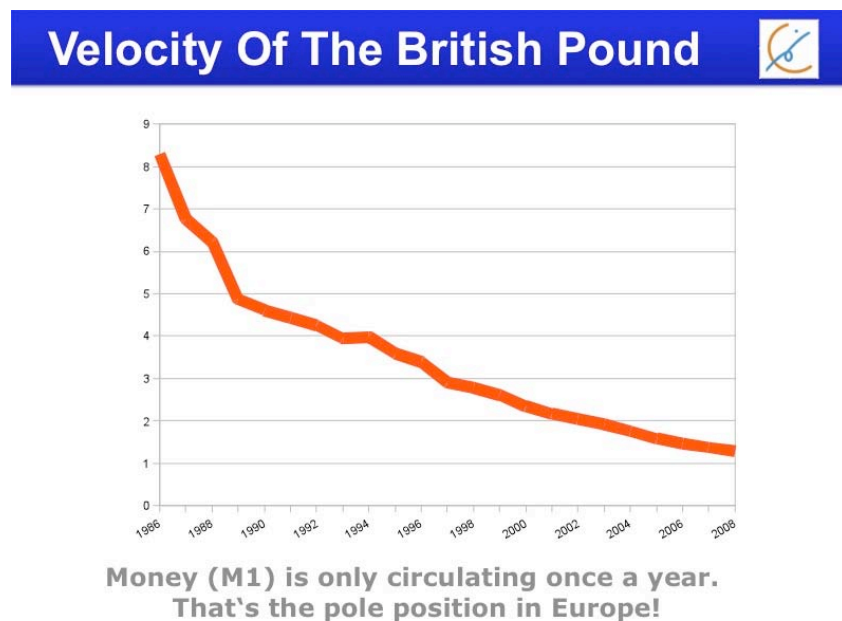
If you compare the total world trade in goods and services with the foreign exchange trade, you will find that for the year 2007 only 1.2 percent of all money is used for world trade while 98.8 percent is used for foreign exchange trade. Why do we trade dollars, pound, Euros and Yen fifty times when we only buy goods once? Did we always have such a high amount of speculation? No, thirty years ago 10 percent of the money was used for world trade. That is ten times higher than today. 60 years ago the volume of 'virtual trade' was not much bigger than the volume of 'real trade'.



What is the reason for the bubble? It is a huge money-bubble caused by the central banks. Why did the central banks print so much money? Because the velocity of money, that is the circulating speed of money, has been slowing down for 30 years.

Why has the velocity slowed down? Because nobody cared about the velocity. The mainstream-theory of economy says: The velocity of money is constant or when it isn't constant it is predictable. Our experts in the central banks then say: Oh, our money has slowed down two percent, let's print two percent more money. So easy, isn't it?

If you ask central bankers why they don't control the velocity, they say 'We can't even control the amount of money, everything depends on the banks: If they want a lot of money we give them a lot of money, if they want less money, we give them less.'

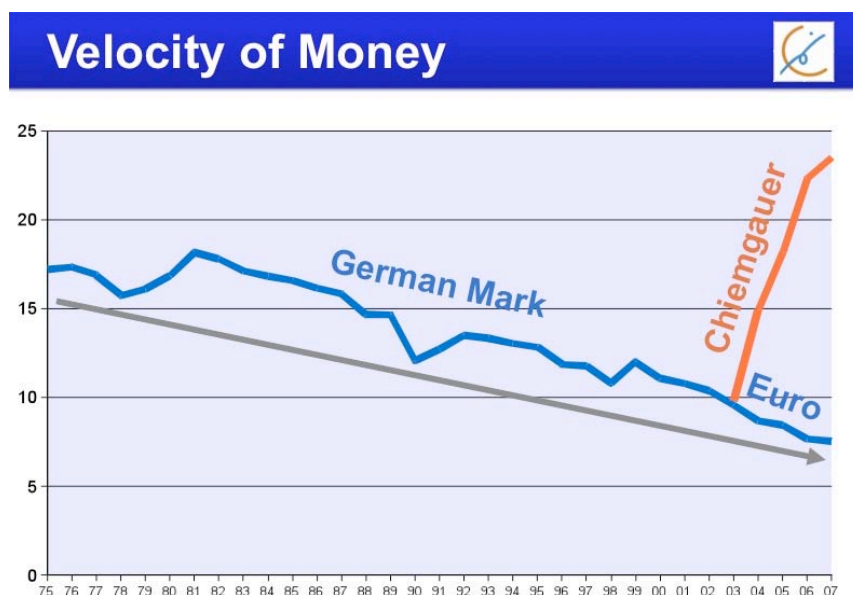


The image is of the central bankers driving the Titanic but instead of steering on the bridge, they play tennis. And when they see an iceberg ahead they don't want to or can't control the direction of the ship. The whole monetarist theory doesn't work without precisely controlling the money supply and its velocity. In the 1970's, Milton Friedman thought that the velocity of money was constant and he was right: Between 1950 and 1970 the velocity of the dollar, the pound, the German mark, the Swiss frank or the French franc and so on was relatively stable. This has changed dramatically however since the 1980's. Not in one year of course but looking back over a period of thirty years a significant trend is visible.

### **THE VELOCITY OF THE CHIEMGAUER**

I have compared the velocity of Euro and Chiemgauer. After five years the velocity of the Chiemgauer has become three times greater than that of the Euro. Thirty years ago the German mark had experienced a long period of stable velocity. Over the last 30 years the Euro has slowed its circulation speed by more than half. Some say this is due to the introduction of electronic money. These new technologies however tend to increase the velocity rather than slow it down! The real problem is that the electronic money has increasingly disappeared into the financial markets where to be used mostly for speculation. This development was good for regions with high profits and even better for those which specialised in financial products like London, New York, Frankfurt or Iceland and Hungary. Today we face problems not only with the locally oriented small and middle sized enterprises but with the financial centres themselves.

Regional currencies provide a very good means for increasing the money velocity to a higher and more stable level in a step for step way. It's important to offer solutions which are based on creating a balance between globalisation and regionalisation and a balance between economic, ecological and social necessities.



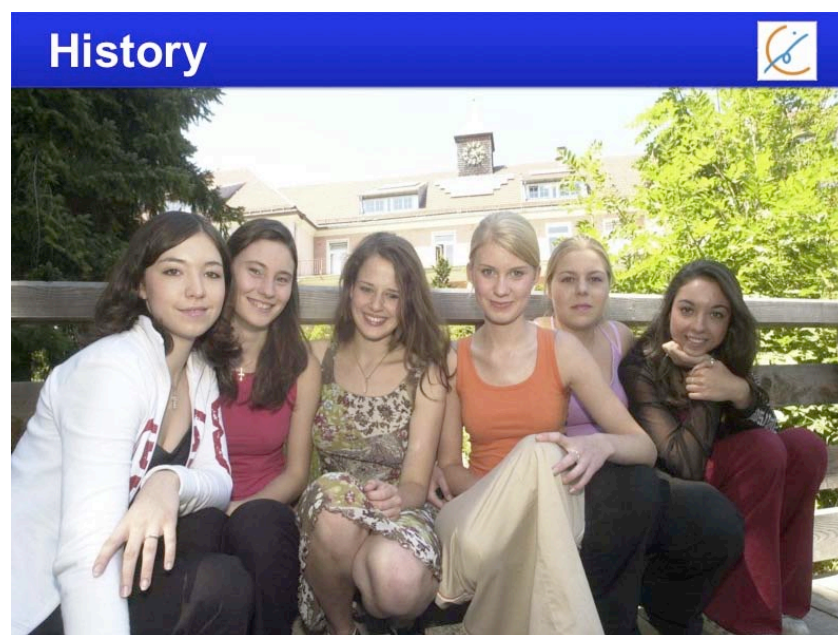
### **HISTORY OF THE PROJECT**

I was asked to start a school company and I introduced the idea of a local currency. Six students wanted to take part and chose the idea out of a broad package of business concepts. First, we talked about the idea and the concept. Then we undertook a market survey: We asked businesses, teachers and parents to comment on our plan. The idea was to connect the

school with businesses in the region and establish an association. We knew we had to offer benefits to each group of participants.

- More turnover for businesses
- Sponsorship for our school
- Motivation of parents, teachers and students to take part

When Rudolf Steiner brought the idea of Waldorf schools he made clear that a Waldorf school is not only for the education of children. It also needs to be a place for connecting people in the region. A Waldorf school should be a focal point for new ideas and innovations rather like a research institution. A student shouldn't be the consumer of educational contents but should learn to be an active participant of society. A teacher should fire them up a little and parents should give support.



*The first generation: Anna, Franziska, Theresa, Cathrin, Charlotte, Mirjam*

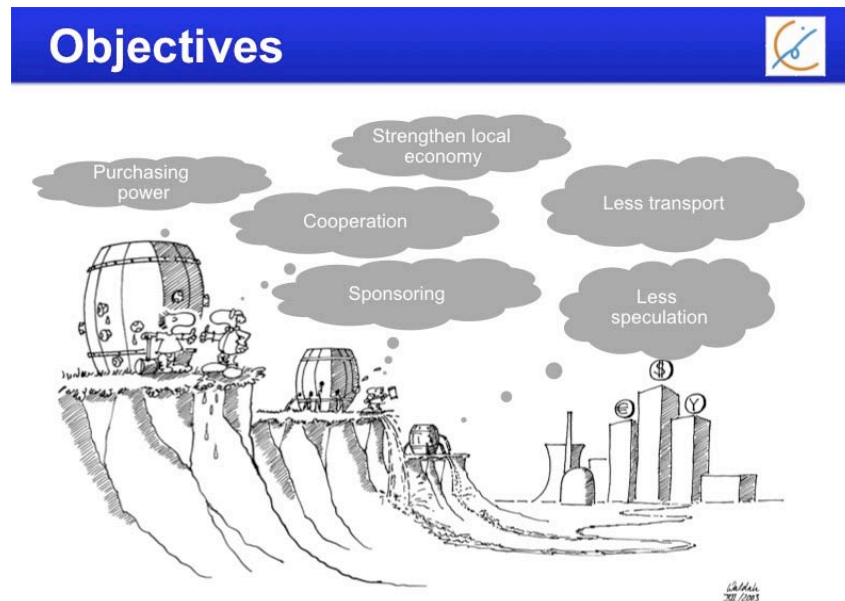
The approach worked well for the first three years. The first student generation helped to create the project and then handed it on to a second generation which also worked hard and successfully developed it further. More and more people joined in and helped to organize it but at a certain point the project grew too big. We worked further on our strategy and mission and decided in 2005 to separate the Chiemgauer from the school. I then decided to concentrate fully on the project as manager. In 2005 we established regional offices in five areas which still exist today.

### **OBJECTIVES OF THE PROJECT**

I am a great fan of the three folding approach of Rudolf Steiner. He said that we need an integrated approach for the society:

- Freedom for a creative, spiritual, cultural life
- Democracy in all parts of defining rules for communities and individuals
- Solidarity in the economy which means: working together cooperatively in the region and globally.

Steiner emphasized the necessity of concrete projects from the bottom up. He denied technocratic solutions which are implemented by an anonymous state or corporation. Solutions have to grow organically through the creativity of individuals and groups. Solutions have to be useful for the participants and they have to be both idealistic and pragmatic.



My students weren't dogmatic at all, they didn't know much about money theory but they had a clear intuition that the current money system doesn't work in favour of alternative approaches or small businesses. The first objective was to bind the money and let it flow within the community. Binding purchasing power as marketing experts would say. Other objectives were to establish an atmosphere of cooperation, strengthen the local economy, increase sponsorship for non-profits, reduce transport especially of heavy freight like food and last but not least reduce the speculation with money and to increase regional investments. To reach these objectives it is important to think about a good design of regional money. I have written my first concept in 1998 based on the works of Dieter Suhr (oeconomia augustana), the historic example of Woergl and in addition to that the aspect of giving. It took about three years from my first concept to the realization in a tiny version of the original 'big dream'.

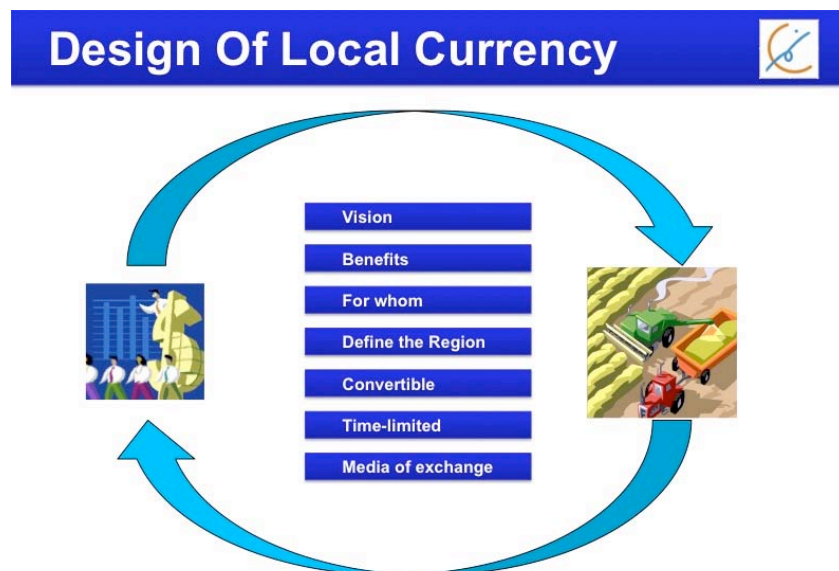
If you want to start a local currency, you have to be absolutely clear about the vision. You have to check the benefits to participants. Then you have to define the region and choose a town or municipality with optimal preconditions.

Should the currency be convertible? The advantage of a non-convertible system is the possibility of giving small interest-free loans to businesses. Everybody has to accept the strict borders of the community. Nobody can escape the regional cycle. The challenge is to establish a closed cycle and avoid money accumulation at key companies. Only very few projects have met this challenge. The most successful example in the world is located in Switzerland. It is called 'WIR' (means 'we' and is the abbreviation for 'economic circle'). There are still accumulation problems in this seventy year old barter system.

Complementary currencies can also be designed as open systems convertible to national currencies. If somebody has too much local currency he can exchange it into regular money.

The costs of the exchange are defined by the community. It has to be high enough for everybody to be interested in regional currency cycles. It must also be low enough to ensure that participation in the system still allows a profit for businesses. It is very important that more money flows into the regional system than out. You can imagine a lake with streams and rivers flowing in and out. The lake grows if the net flow is positive. What makes the lake grow? The exchange from national currency into complementary currency. People who change money must have a good reason for doing it. Unless the system dries out. It is essential to think carefully about the advantages to participants and how to introduce it. You can give 10% discount for buying regional currency but with poor communication nobody will know about it. On the other hand one, two or three percent can also be successful. The Chiemgauer initiative provides no personal advantage to consumers but they can decide which non-profit organization receives a bonus.

Some marketing experts said this idea was crazy but it works because the human being isn't only egoistic. If you talk with individuals and groups in a good way there is a fair chance that the good side develops more than the egoistic one. When I studied economics I learned to see economy as a very important part of society that satisfies the real needs of people and also acts as a tool to develop ourselves. When I decided to manage the Chiemgauer full-time I saw it as an experiment: Is it possible that we work and develop together as human beings and not just as a cog in a machine.



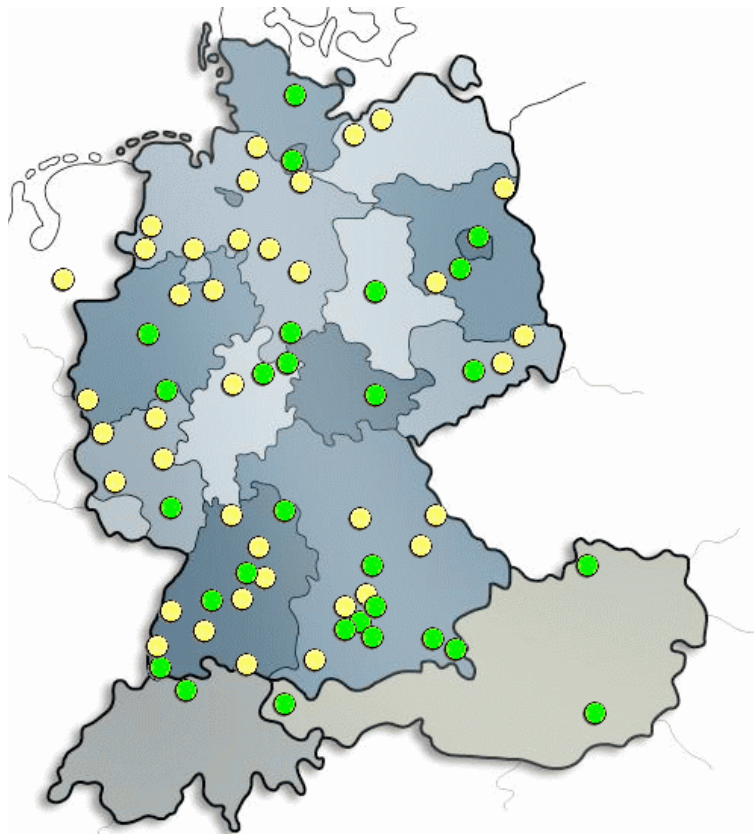
Why do I say this in the context of convertibility? We had a lot of discussion about whether to exchange into the national currency or not. It is a very fundamental question to start off with. If you think about the ideals of an alternative currency you tend towards a closed system. It is very hard to introduce an open system without at the same time being occupied by the rules of the existing money system. In very small steps you try to change rules and by doing so begin to change the behaviour of people. Closed systems want to be consequent and take a large step to fulfil the big vision. Open systems begin with a very small step and then develop a bigger vision. If successful there is not much difference in the end.

One very psychological rule is the time-limitation of money. Why should money expire? Because economy is highly dynamic and lives from the dynamic flow of money. Money that

doesn't flow damages the economy. It's similar to the blood cycle in the human body. You only have about 5 to 6 litres of blood but it circulates once a minute throughout the whole body. Sixty times an hour and 24 hours a day. What happens if the circulation slows down? If the circulation slows down significantly for a longer period of time you'll die.

What is the solution offered by the central banks? To pump up the volume. Instead of 6 litres they would take 10 litres or 20 or 50. Imagine a company which produces blood out of some genes. It can produce blood endlessly but does it solve the problem of a reduced blood circulation? Over the last twenty years I have been told that I am crazy to consider the 'ancient' idea of a money tax which keeps money flowing. Economists say that the money bubble and the following inflation is a more comfortable solution.

Another point to think about regarding the local currency design is the medium of exchange. Should we take paper or invent an electronic version? Cheques or chips? The best thing is to follow the main trends. Don't complicate the challenge of establishing a complementary currency with the challenge of using an unknown and new payment technology. Follow the trends: What medium of exchange is currently most used? Banknotes and payments from current accounts. One way is to reproduce these forms, another way is to cooperate with institutions like banks. The best thing is to establish one's own solution using existing technologies.



### **Regional Currencies spread out**

The Roland in Bremen was the first initiative to issue a local currency in 2002. The Chiemgauer was prepared at the same time and started in 2003. Because of the success of the Chiemgauer there was a lot of media interest and many people asked us how to start a regional currency. Together with Prof. Declan and Margrit Kennedy we started a network for regional currencies at Prien in September 2003. Many local groups started to prepare the issue of a regional currency. In 2008 there were 28 regional currencies (see green points on the slide).

### **EXAMPLES FROM THE WORLD AND THE HISTORY**

Prof. Bernard Lietaer guesses that there are now more than 5.000 complementary currencies worldwide. In 1980 there was only one currency (WIR). One historic example is the township-currency of Woergl in Tirole, Austria. Woergl is only 50 kilometres away from



Prien but only few people know about that project. The currency was in nominations of 1, 5 and 10 shillings and had been issued 1932.

Responsibility for the project lay with the mayor of Woergl, Michael Unterguggenberger. The town cooperated with the local bank and local businesses. The idea was to pay jobless people for services to the community. The first projects were streets, renovation of a kindergarten and a bridge. After a few months of circulation the unemployment rate declined by 25%. In other parts of Austria unemployment increased. It was the time of the great depression and everybody talked about the 'miracle of Woergl'. Unfortunately the government stopped the local experiment when many other mayors wanted to copy the system for their community.

Examples from today include the Berkshares and Ithaca hours in the USA, the Totnes and Lewes Pound at the south of England and many initiatives in Germany. We also have many Lets and time-bank systems worldwide and very different types in Japan.



### **HOW THE CHIEMGAUER WORKS**

How the Chiemgauer works: The value of one Chiemgauer is one Euro. Other nominations are 2, 5, 10, 20 and 50 Euro. The Chiemgauer note has 14 security features like ultra-violet colours, imprinting of the logo, watermark, copy-proof colours, individual serial number.

Chiemgauer notes are ageing. The demurrage-fee (=negative interest rate) is 2% per quarter or 8% per year. This is not a 'must' for regional currencies but the Chiemgauer community has decided to establish a money that never slows down in circulation. The advantage is that everybody keeps money going.

Think of two banknotes: One never grows old and the other is ageing. Which one do you spend first? Of course the 'bad money'. What is psychologically annoying for the individual is very good for the community. The velocity of money or the 'speed of money' is faster.

You can spend the Chiemgauer, you can lend and invest it and you can make a gift for a social purpose. It makes no sense to hoard and speculate with them. If somebody at another region accepts Chiemgauer he will spend the note as fast as possible in the region of Chiemgau (except if he is a collector of regional currencies).

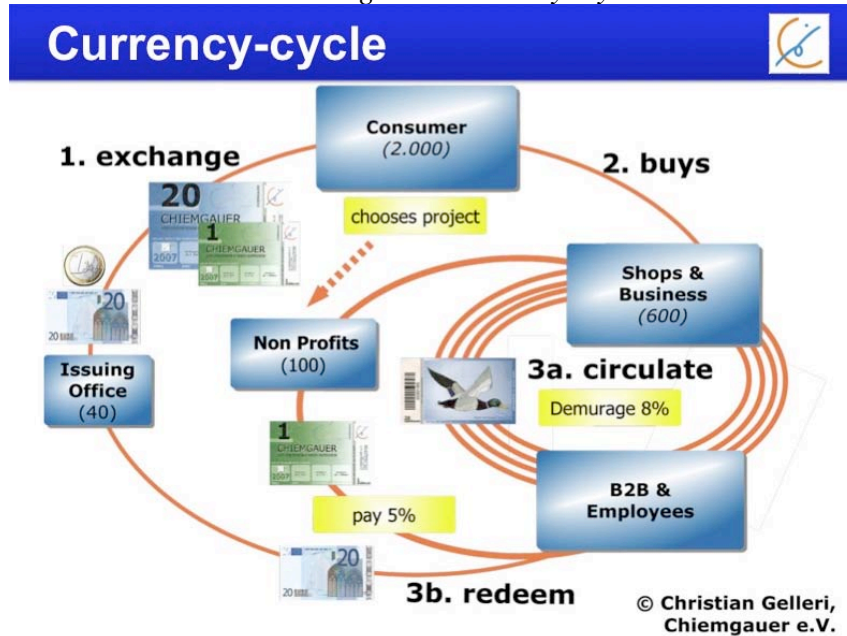
It's important to understand that the community decides all rules of the Chiemgauer. It's a basic democratic institution. If a rule isn't good we change it.



### **THE CHIEMGAUER CURRENCY CYCLE**

You can exchange Euro into Chiemgauer at 50 Issuing offices in the region. You get 1 Chiemgauer for 1 Euro. As a bonus you can choose a non-profit-project which gets 3% of the exchange. This is a very important motivation for the consumers because they can support their own club or good cause. As we see later the bonus is paid by the businesses when they change Chiemgauer back into Euro. At the moment 2,500 consumers exchange 100,000 Euro into Chiemgauer per month. That means 3,000 Chiemgauer for non-profits each month or 36.000 per year.

The Chiemgauer-Currency-Cycle



The consumers can buy at 600 businesses. Remember the meal from the first picture which cost's 17,50 Euro. The consumer pays with 20 Chiemgauer and gets 2 Chiemgauer and 50 Euro-Cent back. We use Euro-coins for amounts which are below 1 Euro.

What does the business do with Chiemgauer?

1. The best thing is to spend it. This has three advantages: no costs, easy bookkeeping because you handle the Chiemgauer like Euro-cash and you support other businesses and perhaps the Chiemgauer comes back to the business again.
2. If a business has too many Chiemgauer it also can change it back into Euro but then it has to pay 5%. For 21 Chiemgauer you only get 20 Euro and 1 Chiemgauer goes to the non-profits.

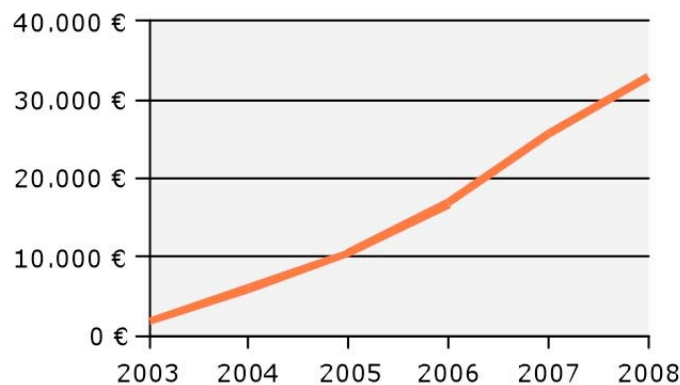
Then the issuing offices sell the Chiemgauer again. The 50 Issuing Offices sell 100.000 Chiemgauer per month and they get 98.000 back per month. The circulation increases by 2.000 Chiemgauer per month (300.000 in January 2009).

### EFFECTS OF THE CHIEMGAUER

The Chiemgauer-community has created two important effects:

1. Regional business cycles are stimulated and a regional network evolves. Food shops prefer apples from the region because they can spend their Chiemgauer with local farmers.
2. Non-profits get money for important purposes like education, environmental work and so on. The costs to the non-profits are like a small tax on imported goods. In the long run prices of regional goods decrease and prices of global goods rise. With the higher demand for regional goods I would forecast more cost efficiency and synergies by working together, so the distribution to non-profits doesn't cause inflation!

## Benefits for non-profits

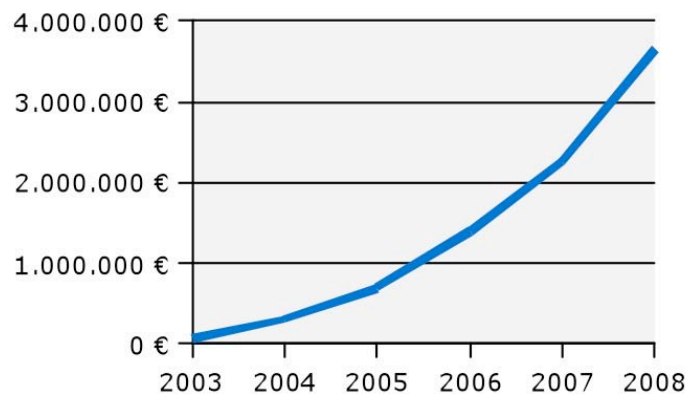


**2008: 32.000 Chiemgauer**

### Turnover increases

We observe a steady expanding trend towards the acceptance of regional currency. The turnover has increased 30% in 2008 to about 3.6 million. Euro.

## Turnover of all participants



**2008 = 3 Mio. CH + 0.6 Mio. ST**

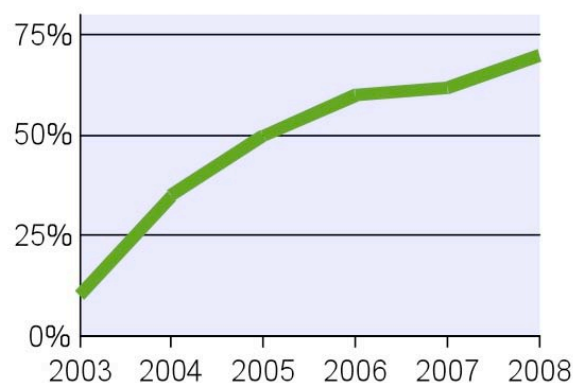
When we analyse the turnover we can say that one third is new. That's about 600.000 Euro additional value. Examples are apple juice which is no longer imported from northern Germany or plant fuel which replaces oil from Arabia. An additional advantage evolves if we optimize existing production capacities. Think of machines which are used more often or think of unemployed people which work for a cheese maker.

Economic theory tells us that these efforts are superfluous. The 'invisible hand' does the controlling of economy for us. In the neo-classical approach everybody always has a job. Although I have learned this stuff at university which is so wonderful to calculate, I have

never seen such an economic paradise over a longer period of time. In practice you have to think and work hard to keep a company and to keep a region running. No invisible hand creates a job but creative people. The same people have to care about keeping the money in circulation. It's a matter of awareness but beware: Not all individualities can be aware so we have to introduce a rule which reminds us regularly to be aware. Quarterly stamps are only uncomfortable for those who forget to be aware. And they forget only once or twice, after some time nearly everybody follows the rules and circulation increases.

Because nobody wants to pay the stamps and to pay an exchange fee, more and more currency is spent again quickly.

## Quota Of Circulation



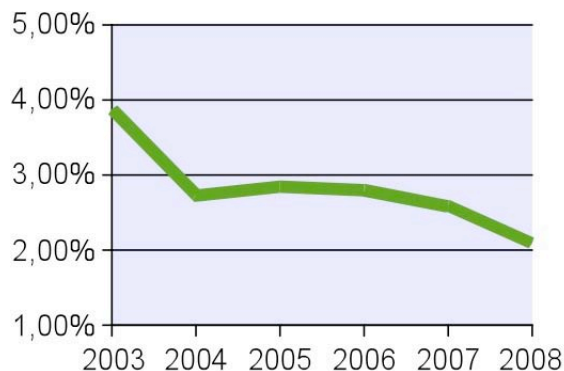
**70% of sales are spent again...**

### **IS THE CHIEMGAUER EXPENSIVE?**

When businesses spend the regional currency costs decline at the same time. For a business which takes and spends Chiemgauer the costs tend towards zero. Sometimes businesses have to change regional currency back into national currency if they need goods and services from outside the community. The larger the community grows the more possibilities there are to spend. More possibilities make the network more attractive and let the community grow. This can be a positive self-strengthening cycle.

Currently businesses pay about 2% of their Chiemgauer-turnover to the issuing organization. That means that you have to pay in average 2 Chiemgauer if you have a turnover of 100 Chiemgauer. Compare this figure to other marketing instruments. Advertising costs are often more than 30%.

## What about costs?



## The relative costs decline ...

### ADVANTAGES FOR THE REGION

Let's conclude with the advantages of a successful regional currency which is based on a intelligent design. A region may profit by regional business circles, short transport and stable jobs in the region.

**Businesses** retain customers and have use of a cost-efficient marketing tool. There is also a good chance of enhancing cooperation in the region. It could also develop further and lead to an institutional association which issues not only regional currency but also gives out loans and provides support for young enterprises.

**Banks** are similar to other businesses. Cooperation with a local bank can go deeper because of the connection between the products of the bank and the product of the regional currency organization.

**Customers** get a bonus either in the material form of a discount or if possible a socialized form of bonus for non-profit-organizations. Customers will be better informed about goods and services from the region. The issuing currency organization is self-organized by the participants. That's the best structure for protecting customer data.

**Non-profit-organizations** profit by the bonus-system. They get an innovative fundraising instrument well suited to organizations with enthusiastic members. A regional currency brings non-profits closer to businesses.

With successful regional currencies **local authorities** can increase their tax income. They should be active and promote an atmosphere of cooperation. The state should consider the multiplier effects of public spending. If you give one pound into a regional currency system the effect is much higher. Spend one pound sterling and within a short time the money will be used for speculation and you will be lucky if it comes into to the real economy again. Spend a regional currency unit and the probability increases that the money will be used in and for the region.

## Advantages



### **MORE INFO:**

<http://www.complementarycurrency.org/>  
and [www.Chiemgauer.eu](http://www.Chiemgauer.eu) (German)

### **Many thanks ...**

- to Bernard Jarmann, Stroud for correcting all my grammar mistakes!
- to my wife Petra for making the text more comprehensible.
- Bernard Lietaer, Margrit Kennedy and Thomas Mayer for their inspiration

