Chapter 5
Alternatives to the Global Financial Sector: Local Complementary Currencies, LETS, and Time Backed Currencies

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ABSTRACT
This chapter explores complementary currencies and exchange systems and how they can provide some stability and competition to the vulnerability of the financial markets. The social economy, or 3rd sector, already plays a significant part in many societies. This is becoming more so as many governments and nations are facing decades of debt inevitably resulting in cut backs in key social and health services. In addition, the existing formal economic activity does not capture, value or support the full range of social and economic interaction within a nation. The chapter examines timebank systems, a particular type of complementary currencies and exchange system, and provides guidance on issues to consider in develop them. One of the finding from the evaluation is that as the number of people in the timebank system increases then more formality is needed to moderate the system and reduce potential for misuse.

INTRODUCTION
The current turbulence within the financial sector raises issues for long-term stability and the corresponding wider impact across the economy: There are clearly systemic weaknesses in the financial sector that have been growing over the last few decades. During this period the prime focus of attention in the banking sector has been on very large and quick flows of markets and money exchanges—casino banking, effectively making money from money (or commoditizing money). A truly vast amount of ‘virtual’ money
was generated on the stock markets, currency exchanges, futures and derivatives markets and short selling. Yet at the same time the actual productive economy consisting of supplies of raw material, man-power based services and finished products saw only modest increases. This fostered the impression that the banking sector was becoming decoupled from the real economy. In addition the tsunami towards globalization has resulted in a focus in business and government policy aimed at multinational corporations and global markets. Consequently the result of these trends has been that local business, community and local interaction have often been at a disadvantage compared to big multinationals and ‘big money’.

As the systemic weaknesses in the financial sector intensified over the last few decades, at the same time there has been a quite social revolution towards sustainable living, ‘triple bottom line’ economics thinking and interest in complementary money and exchange schemes. Perhaps the seemingly decoupling of the banking sector from the real economy has helped to hasten interest in these schemes. The general concern over wider issues such as the environment, global warming and the need for sustainable living have also likely increased interest in possible alternatives to the traditional banking sector view of the economy. Either way there is clearly an interest and given the weaknesses that persist in the traditional banking sector view of the world there is a need for real alternatives to the banking sector. This chapter addresses that need by examining some alternative schemes and complementary currencies that can support local interaction. The chapter particularly focuses on timebank type activity or time-backed currency systems, since these seem to offer much potential to encourage interaction at a local level. The chapter also provides a classification of timebank systems and guidance on setting systems up. The aim of this chapter is to show the possibility of having complementary systems to that of the dominant (and flawed) financial system.

First the chapter looks at non-banks, which mainly consists of the large retail organisations and technology organisations. Then the chapter examines some of the background to the concepts of Money and uses this to explore Local Exchange and Transfer Schemes (LETS), complementary currencies and timebank schemes.

NON-BANKS AND THEIR ROLE IN THE BANKING SECTOR

The banking sector seems to be in a very dominant position controlling markets and dictating the direction of innovation in the financial sector. However, this dominance may not be as assured as first thought: Non-banks are playing an increasingly significant role in the financial world and are involved in all aspects of financial systems (Mouatt & Adams, 2010; Adams & Mouatt, 2010). For instance, Bradford et al (2002) examined the roles that non-banks play in payment activity and identified that:

• Non-banks are involved in a myriad of activities and roles, both in traditional and emerging payments types;
• Non-bank business relationships with banks and other participants in the payments systems are often highly complex and interrelated;
• Non-banks are rarely directly involved in settlement activities and, hence, appear to be associated with limited settlement and systemic risk;
• Both non-banks and banks appear to be increasingly susceptible to operational risk factors.

Similarly a study by the European Central Bank and Federal Reserve Bank of Kansas City (ECB & FRBK, 2007) shows the growing importance, and influence of non-banks, across the banking sector: “Retail payments systems throughout the world
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