It's the motivation, stupid! The influence of motivation of secondary currency initiators on the currencies' success[1]

Paper

Prepared for the 2nd International Conference on Complementary Currency Systems (CCS)

19 – 23 June 2013

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Abstract

This paper tries to explain the success of secondary currencies. Success is defined as the degree to which the initiators of these currencies manage to reach their original goals. In order to do so, we draw on two independent variables to: First, the motivation of a currency's founder measured by ecological sustainability, strengthening of the social community, critique of interest rates and the prevailing economic system, supporting the local economy and building up resilience of the local economy against future crises. The second independent variable is the degree of organization which includes the dimensions interconnectedness of projects with other projects, local or regional administration, formal roles and decision-making rules, restrictions of the use of the currency and participation of users.

We employed a combination of qualitative, secondary literature review and standardized questionnaires with seven secondary currency projects in Crotia (Crom), Germany (Kannwas, Engelgeld), Greece (Ovolos, TEM) and the United Kingdom (Bristol, Brixton). The main findings are that projects, which combine several different motivations, are more successful. As for the organizational dimension, projects which score high on all dimensions of organization are correlated with higher project success. Building on this we propose a typology of two groups. On the one hand are the cases with a little diversity of motivation and organization – Crom and Engelgeld. These are referred to as Type 1 cases. Those cases rating high at the different dimensions of motivation and organization – Bristol Pound, Brixton Pound, and TEM – are summarized as Type 2 cases. The two remaining cases, the Ovolos and the KannWas cannot be clearly assigned to any of the types. The motivation-organization typology can guide future research on the motivation of founding and using secondary currencies.

Keywords: *Motivation, Organization, Initiators, Typology, Success*

[1] The work on this paper was funded and made possible by the Studienkolleg zu Berlin (Berlin Studies Center), a joint initiative of the German National Academic Foundation and the Hertie Foundation.

Introduction

There is a plethora of economic, political and sociological research[2] on diverse topics related to secondary currencies[3]. However, less emphasis has been put on the personal dimension of the topic. Although some work exists on the motives of people participating in secondary currency projects (Caldwell, 2000; Collom, 2007; 2011), knowledge on these projects' initiators motives still remain scarce (Collom, 2011, p. 149). The founders of a currency often play a pivotal role in introducing and developing the concept of a new currency. Their motivations shape the constituency of the users, the size of the user group, their interconnection with similar projects and the goals that are pursued with the introduction of secondary currencies. Thus, we propose a framework of analysis for explaining a currencies' success by linking the study of differing motivations of currency initiators and the organization of those currencies.

On the one hand, we propose a fivefold *motivation typology* of possible goals that are pursued when setting up and designing secondary currency projects. The five motivations which we identify are ecological sustainability, strengthening of the social community, critique of interest rates and the prevailing economic system, supporting the local economy and building up resilience of the local economy against future crises.

On the other hand, we propose that not only motivation but also the *degree of organization* plays a crucial role in the development of these currency projects. The degree of organization refers to the interconnectedness of projects with other projects, local or regional administration, formal roles and decision-making rules, restrictions of the use of the currency and participation of users, i.e. social capital (Bourdieu, 1986; Putnam, 1993).

These theoretical considerations led us to the following *research questions*: How do the interconnected factors of motivation and organization contribute to the success of a secondary currency project?

The remaining part of this paper is structured as follows. In the first part, the theoretical foundation for our two independent variables, motivation and organizational degree, as well as our dependent variable, currency success are spelled out in more detail. The second part deals with the empirical findings of our research projects and provides a brief discussion of methodological issues. The last part summarizes our main findings and gives a

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[2] We don't use the term 'community currency' here but refer to secondary currencies. *Secondary Currency* is an overarching term for all currencies except the primary currency of a state or currency area (Euro area). The definition includes both alternative and parallel currencies. Alternative currencies aim to substitute the official primary currency. Parallel currencies seek to exist besides the official currency. Regional and local currencies exist within clear geographic boundaries. These currencies can be either an alternative to or parallel to the official primary currency.

[3] For a good overview about the existing literature and the main debates see Degens (2013) and Kennedy (2012).

tentative outlook for further research on the link between organizational degree, motivation of their founders and the currencies' success.

1. Theory – Mapping motivation, organization and success

One of the most difficult tasks in secondary currency research is to estimate how successful a regional currency project actually is. There is no definite consensus on how to measure a currencies' success, as there is no generally objective knowledge in social sciences (Weber, 1973). However, we had to come up with a definition which would cover success most comprehensively. Therefore, we define our dependent variable *success of a community currency* as the degree to which the initiators of these currencies manage to reach their original goals. Such a definition excludes per se any exact measuring of success but served as a useful yardstick throughout our study[4].

The *motivation of the initiators of secondary currencies* is our first explanatory or independent variable and draws on former research on motivations of currency participants (Collom, 2007; Collom, 2011)[5]. First, inventors of these currencies may be driven by the wish for ecologic sustainability that is, to use resource in a way that they are still consumable in the future. Second, initiators of secondary currencies may follow the desire to strengthen the social community, i.e., enhance the ties between participants by social exchange. Third, initiators may wish to strengthen the local economy, e.g. local businesses and shops. Fourth, and interconnected with the latter, they could try to enhance the resilience of the local economy[6] against future crises. Finally, they could also be driven by an inherent critique of the prevailing economic system, neoliberal capitalism and its obsession with economic growth. In the context of secondary currencies this attitude most visibly materializes in the form of a comprehensive critique of the banking system and market-led positive interest rates, a stance which we summarize under the topic of interest critique[7]. Though, one should note that some of the motivations stated above might contradict each other. The aim of strengthening the local business or to increase economic resilience might conflict with the aim

[4] Quantifiable data was from the outset not the goal of this research project since the research interest as well as the methodology employed was of purely qualitative nature. See part two for methodology.

[5] Collom distinguishes between needs motivations, values motivations, altruistic motivations, wants motivations, instrumental motivations, independence motivations and social motivations. See Collom (2007, p. p.40).

[6] In practice, resilience conceptually goes hand in hand with dimension three, strengthening the local economy (Cato & Suárez, 2012). Nevertheless, we considered it useful to distinguish between both categories since they are very different 'motivations' of currency initiators.

[7] In research on civil society and grassroots movements many of the attributes covered by this concept are well summarized by D'Alisa, Demaria and Cattaneo (2013)

of sustainability and with interest critique. Consequently, one can expect more concentrated or focused motivation to lead to more success, since conflict between different motivations is expected to be smaller and resources more focused on fewer aims.

Our second explanatory variable is the *degree of social organization* of a secondary currency. Our definition is rooted in the concept of social capital, as elaborated most prominently by Pierre Bourdieu (1986) and Robert Putnam (1993). To refer to more recent social science literature, social capital is defined as "[…] network based resource inhering in the structure of social relations between persons and groups […]". "In the context of the community, social capital is a resource embedded in the social network ties connecting communities and groups" (Whithman, 2012, pp. 142-143). Thus, we attribute to the concept of organization features of a community currency which influences the structure of the social relations between participants. We employed five dimensions of social organizational. First, we distinguish currencies by their degree of cooperation with other projects, the local or national administration or other third parties. Second, a decisive criterion for organizational degree is the extent to which formalized decision-making rules exist. Are there fixed rules as majority voting, qualified majority or consensus or are important decisions taken on an ad-hoc basis. The third dimension is the extent to which formal roles exist, i.e. if there are permanent positions and a solid division of labor. The fourth dimension is the degree to which members of the community currency are able to participate in the organization of the currency. Are decisions taken in a top-down mode by the initiators of the currency or can participants directly or indirectly shape important decisions? Last but not least, an important distinction remains whether the initiators of the currency put certain restrictions (material or ideological) on the use of the currency. Hence, one can expect a secondary currency to be more successful the more socially connected and organized it is.

2. Methodology

This research paper is based on a combination of qualitative, secondary literature review and standardized questionnaires. It is qualitative in nature and consists of seventeen semi-structured elite interviews with founders and co-founders of secondary currency projects, representatives of public institutions (local civil service), academic experts and journalists. The semi-structured elite interviews were guided by interview methods of political science as laid down in the literature (Leech et. al., 2002). This part of data gathering was supplemented by a secondary literature analysis of scientific journals, books, case studies and websites. Some official documents such as European and German primary and secondary law were reviewed in order to add the respective legal basis. The research was conducted during a period of four months between January 2013 and May 2013. After the project selection interview partners were found and contacted. The projects and interview partners were selected on the basis that a diversity of motivations and projects' success was expected. Seven projects in four European countries were selected. The projects which were visited were the "CROM" in Pula, Croatia; the "Ovolos" in Patra, Greece; the "TEM" in Volos, Greece; the "Brixton Pound" in London, Great Britain; the "Bristol Pound" in Bristol, Great Britain; the "KannWas" in Kiel, Germany; and the "Engelgeld", in Wittenberg, Germany. All interviews were conducted in person. Moreover, we had the possibility to distribute standardized questionnaires among the users of two currencies in our sample. The questionnaires were developed to capture the user's motivations. They were distributed only Bristol and in Brixton. These two cases represent a first test of accordance or conflict between users' and founders' motivations. The number of respondents in Bristol was 55 users and the number of respondents in Bristol was 20 users. We are fully aware that the results are not representative. However, they provide a first explorative step towards a simultaneous measurement of the motivation of participants and initiators of secondary currencies.

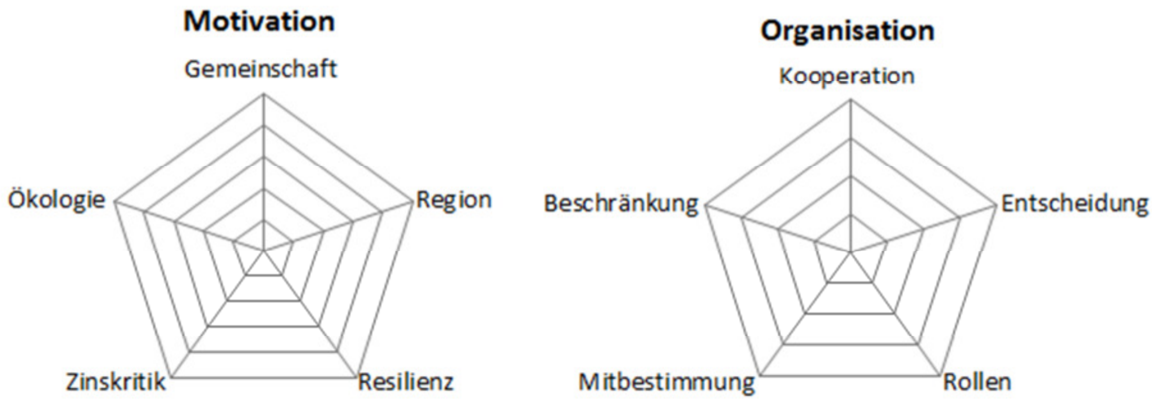
3. Analysis and research results

The explanatory variables *motivation* and *social organization* can be compared in light of five classifications respectively as described above. With regard to the *motivation* variable the analysis of the data collected has indicated that founders' motivation can be described by the classifications *Gemeinschaft (Community), Region, Ökologie (Ecology), Resilienz (Resilience) and Zinskritik (critique of interest).* The results of the seven projects analyzed show that in most of the cases founders motivations combine several of the stated categories. The projects which combine several different motivations can be correlated with higher project success[8]. This result is pivotal in so far as the intuitive argument that projects concentrating merely on one goal or motivation are more successful, due to a more focused and efficient use of available resources, does not hold empirically. Further research would be necessary to validate this result.

The second explanatory variable *social organization* is characterized by the five dimensions *Kooperation (degree of cooperation with third projects), Entscheidung (formalized decision-making rules), Rollen (formal roles), Mitbestimmung (participation in the decision-making process) and Beschränkung (material or ideological restrictions).* In line

[8] See definition of project success as stated above

with the motivation variable it becomes clear that projects which rate high on all dimensions of organization are correlated with higher project success. This first case study requires further research to increase the external validity of the results.



Own creation, for more information see annex

The cases with low degrees of diverse motivations and organization – Crom and Engelgeld – are summarized as Type 1 cases. Those cases rating high at the different dimensions of motivation and organization – Bristol Pound, Brixton Pound, and TEM – are summarized as Type 2 cases. The two remaining cases cannot be clearly assigned to any of the types. The *motivation-organization typology* can guide future research on the motivation of founding and using secondary currencies.

In Bristol and Brixton the user's motivation was analyzed by means of standardized questionnaires and interviews. All in all, these limited results indicate that there is an overlap between users' and founders' motivation vis-à-vis the dimensions *Region* and *Community.* Further results of these case studies can be summarized as following. First, the motivation of ecological sustainability played in most of the projects a less important role than expected. Second, the currencies addressed in many cases those users who already agreed with the proposed goals of the project. Hence, it seems questionable in how far the currencies were successful in making substantial changes in light of the founding motivations beyond those changes already achieved through other initiatives and existing social groups. Third, especially in those countries hit by the current financial crisis the currencies made a clear difference on the micro-level. In Volos for instance, users of the TEM were able to trade even though income in Euro was lacking as a result of the crisis. Fourth, the projects are examples of civil society or bottom-up initiatives. Fostering future research on the civil society implications of secondary currencies is of special interest. Analyzing hereby the interconnections between existing social movements such as transition towns and the success of secondary currencies can be of distinctive interest. Furthermore, it has to be scrutinized in how far the success of currency projects can be attributed to clear geographical boundaries and communities in which the currency is used. Fifth, it is important to stress that the *side effects* of the projects such as the social interaction between project volunteers and users frequently has deeper implications for the respective community than the direct monetary functions of the project. It could also be of particular interest to further study the possible interaction effects between primary and secondary currencies. In the view of European integration theories[9] it becomes relevant to analyze in how far secondary currencies can support regional integration without contradicting the idea of European cooperation and integration. Further research could hence focus on the motivations of currency founders to cooperate with other currencies and the founders stand regarding the phenomenon of European integration.

Conclusion

In sum, these first case studies on the motivation of secondary currency founders has shown that diverse motivations and a high degree of social organization can increase the likelihood of project success. The case studies presented here open a new field for future research focusing both on the founders' and users' motivations to participate in secondary currency projects. In order to increase external validate the research would need to be replicated in a greater number of projects. Finally, the research offered further intriguing questions to be investigated in order to better understand the role secondary currencies can play in today's world.

[9] On the regional integration of Europe see more Biegón (2010), Goodman (1998), Habermas (1998), Scharpf (2004)

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