

EXPANDED ABSTRACT

The importance of evaluation as a preliminary step to the implementation of a complementary currency. A rural case study in Ecuador, the Sinincay parish

Objectives

At present, both the scarcity of money and its inadequate distribution have negative consequences for its population, which, together with other causes, has promoted initiatives of complementary monetary systems (CMS) to the official ones. These alternatives seek to palliate the adverse effects of an inefficient orthodox monetary system, although for some authors, this is equivalent to an inorganic emission of money and consequently generates inflation.

For Meyer and Hudon (2018), the CMSs are no longer a small-scale phenomenon, even less so if we consider that there are more than 3000 Community currency projects, and some with a long history such as the WIR in Switzerland or the Sardex in Sardinia.

From the perspective of Schuldt (1997), Santana (2011), and Lietaer and Belgin (2011), a SMC aims to diminish various effects caused by an economic crisis, reflected in the scarcity of currency, income scarcity, high unemployment rates, inability to access the financial system, high interest rates, and therefore, in a contraction of supply and an increase in monetary demand.

However, these scenarios alone would not guarantee the success of the CMSs. In fact, Schuldt (1997) mentions that it will also depend on a series of prerequisites or preconditions to be met by the locality to be implemented by the project, covering economic, monetary, psycho-sociological, educational, institutional, cultural, political and productive specialization aspects.

With this background, in Ecuador, in the parish of Sinincay, in 2011, a CMS called Solidarity Exchange Unit (UDIS) was implanted. This project was operated by a savings and loans cooperative with the support of national entities and a foreign entity, the STRO Foundation of the Netherlands, an institution with experience in similar projects with partially positive results.

In our case study, despite the efforts of the sponsoring institutions, the UDIS project had limited interest, few participants, and lasted barely a year, despite open government support.

In this study, from the theoretical perspectives of the CMSs, we asked whether Sinincay had the necessary and sufficient conditions for the functioning and success of the UDIS, in order for it to meet a socio-economic objective. Our hypothesis is that the failure of the project is due to the fact that the population of Sinincay did not meet the necessary and sufficient conditions for the operation of a monetary scheme of this type.

Methodology

To answer this question, we resorted to qualitative research. We proposed a two-stage evaluation method: First, it is necessary to review in the literature the socio-economic conditions conducive to the proper functioning of a CMS. Secondly, it is necessary to obtain information to verify the level of compliance with these requirements. In this second step, considering the limited socioeconomic information from our case study and institutional data from the project, we proceeded with interviews with former officials of the sponsoring institutions, ex-participants in the project and some non-involved citizens in order to, based on their testimonies, evaluate compliance with the required conditions. It should be noted that the cooperative that was in charge of the project no longer exists.

We have not found other studies that seek to answer a question similar to that of this research and that serve us as a starting point and discussion. First of all, the appropriate socio-economic conditions for the functioning of the UDIS were determined, based mainly on Schuldt's studies (1997) and on the experiences of other CMSs in different countries. The empirical evidence to contrast the fulfillment of the socioeconomic conditions necessary for the proper functioning of the UDIS was obtained basically through in-depth interviews with the social actors related to that project.

Three types of structured interviews were designed: the first one applied to 4 officials of the promoting institutions; secondly, an interview was applied to 11 participants (users) of the system. Thirdly, a control group made up of 29 microenterprise informants who did not participate in the project. The questions were asked in order to establish the level of compliance with each of the conditions considered.

Results

According to the information provided by the interviewees, the members of the network could freely purchase UDIS in the Cooperative, paying 0.90 USD for each UDIS of nominal value 1 USD and there was no limit amount for the purchase of this currency. According to the interviewees, there was no minimum or maximum period to reconvert the UDIs into dollars for their nominal value (a 1 to 1 ratio).

According to subjective perceptions about the economic situation of the parish for a period of two years prior to the implementation of UDIS, none of the six required conditions were met.

According to the subjective perceptions of the minimum conditions established by Schuldt, five are not fulfilled, two are partially fulfilled and only one is fulfilled.

Concerning the dynamics of the functioning of the heterodox monetary system, two conditions are not fulfilled, three are partially met and none are fully met.

With regard to the perception of the causes that led to the completion of the project, and based on the information gathered, the causes have been categorized by internal and external factors that affected the proper functioning of the UDIS scheme.

Among the internal factors that the actors considered are: the scarce circulation of the UDIS; the little acceptance of them; little productive diversity; little information and training on the subject; economic individualism.

The following external factors were considered: the media boom that at the time distorted the conception and purpose of the project, even suggesting that it was illegal and that it was intended to displace the dollar as the official currency; and the legal prohibition that prevented popular and solidarity financial entities from managing all kinds of alternative means of payment.

Conclusions

Authors such as Schuldt (1997) and Gesell (1936), who helped us to identify requirements for the success of the CMSs, do not specify whether all the conditions they mention are indispensable, but it can be assumed that this is not necessarily the case, since there are successful cases with or without oxidation in the design, with or without the presence of crisis in the socioeconomic characteristics. However, it is to be expected that a CMS is justified as long as it is constituted as a resource to cover some type of deficiency of the official monetary system and that the community involved trusts the resource.

Based on the evidence, our conclusion is that the UDIS did not have an adequate prior analysis to identify the socioeconomic conditions in which it would play an important role and, above all, had it been done, it would have been determined that the conditions prior to the project were not conducive to implementing a CMS. According to the testimonies, Sinincay was too integrated into the economic dynamics of the city of Cuenca, rather than among the people of the parish. On the other hand, the dollars that circulated among its inhabitants, increased by the significant remittances of its migrants, do not show weaknesses in the official currency, reinforced by a provision of credits considered as affordable.

Contribution

The importance of this research lies in the methodological proposal for assessing the appropriate conditions for the functioning of a CMS. The results of this research warn the control institutions that a project of this nature must have such an evaluation before its operation in order to avoid wasting resources.

KEYWORDS: Complementary monetary systems, UDIS, favourable socio-economic conditions, local development.

