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IT'S THE MOTIVATION, STUPID! THE INFLUENCE OF MOTIVATION OF SECONDARY CURRENCY INITIATORS ON THE CURRENCIES' SUCCESS

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ABSTRACT

This paper attempts 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 explanatory factors: the motivation of a currency's founder and the degree of organization. We employed a combination of qualitative interviews, secondary literature review and standardized questionnaires with seven secondary currency projects in Croatia (CROM), Germany (KannWas, Engelgeld), Greece (Ovolos, TEM) and the United Kingdom (Bristol Pound, Brixton Pound). The main findings are that projects which pursue several different motivations are more successful than those with fewer goals. As for the degree of organization, 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: Type 1 cases have low diversity of motivation and organization (CROM and Engelgeld) and Type 2 cases have high diversity of motivation and organization (Bristol Pound, Brixton Pound, and TEM). 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.

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INTRODUCTION

Over the last few years, there has been a plethora of economic, political and sociological research (for a good overview refer to Degens (2013) and Kennedy (2012)) on diverse topics related to secondary currencies, spurred by the wake of newly established currencies. We use the term *secondary currency*, rather than *community currency* because it is an overarching term for all currencies except the primary currency of a state or currency area (e.g., Euro area) and includes both alternative (which aim to substitute the official primary currency) and parallel (which seek to exist alongside the official currency) currencies, as well as regional and local currencies (which exist in clear geographic boundaries). While there has been extensive research on the institutional frameworks of these currencies and whether they actually achieve their goals, less emphasis has been placed on the personal and entrepreneurial 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 the motives of these projects' initiators still remains scarce (Collom 2011: 149). The founders of a currency often play a pivotal role in introducing and developing the concept of the new currency and putting it into practice. Their motivations shape the constituency of the users, the size of the user group, their interconnectedness with similar projects within and across regional and international boundaries 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 have identified inductively through our research are supporting ecological sustainability, strengthening the social community, supporting the local economy, building up resilience of the local economy against future crises and critique of interest rates and the prevailing economic system. On the other hand, a purely motivational framework does not suffice to explain the development of a secondary currency project. Therefore, we propose that both motivation and the degree of organization play a crucial role in the development of these currency projects. The *degree of organization* refers to several factors, for instance 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 lead to the following research question: 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 inde-

pendent 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 project and provides a brief discussion of methodological issues. The last part summarizes our main findings and gives a tentative outlook for further research on the link between organizational degree, motivation of their founders and the currencies' success.

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 secondary currency's success. A few problematic issues surrounding a sound definition of a currencies' success include the following: First, a lack of systematic and comparable data on secondary currencies limits the ability of researchers to both find common success criteria *and* to evaluate this success across different currencies. Second, most secondary currency projects are small and might actually intend to not grow too large and thus, self-select (Morgan and Winship 2007: 18-20) into what would appear to be only modest success. This self-selection can lead to a lower number of participants, less covered products and services, and limited geographical outreach. Finally, scope and purpose of most secondary currencies differ substantially from established national currencies and thus usual criteria for success, like the usage, exchange rate stability/fixedness and the revenues from coinage prerogative (or, to use the more conventional term, 'seigniorage') (Broz and Frieden 2001) do not apply to secondary currencies.

In this paper, we define our dependent variable *success of a secondary currency* as follows: 1. We account for the degree to which the initiators of the currencies manage to reach their original goals. 2. We aim to determine in how far the established governance mechanisms are effectively used and serve the goals of the currency. 3. How many possible users (measured as: number of users of a currency in a region/the total number of citizens within a defined region) de facto make use of the currency.

This definition of success obviously includes some problematic elements. First, sometimes the original goals cannot be clearly defined anymore, as founders have altered their goals or even left the projects. Hence it is difficult to account for the degree to which the original goals were achieved by the currency. Further, achieving such goals cannot be defined in categorical terms but has to be seen on a "continuum of success". For instance, it might be hard to clearly argue that a currency contributing to regional environmental projects has achieved its larger goal of ecological sustainability, as this e.g. could mean that all regional citizens decrease their CO2 footprint by at least 50%. Secondly, some governance mechanisms are effectively implemented and used but might be based on a very

simple governance structure. Hence, it might not be sufficient to look at the de facto effective usage of the governance mechanisms but also on the degree of complexity behind the governance structure. Thirdly, measuring the ratio of all currency users to all possible users in a region is problematic for several reasons. Some secondary currencies do not have a clear geographical boundary and hence such a calculation would have to be in respect to the entire world population (as potential users), which is obviously unrealistic. Moreover, some currencies explicitly aim to reach only a specific group of people and not the entire population of a region. Comparative analysis seems hard under such conditions. In sum, our proposed definition of success excludes per se any exact measuring of success but served as a first useful heuristic throughout our study.

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; 2011) and the empirical findings of this first case study. First, founders of these currencies may be driven by the wish for ecologic sustainability and the preservation of resources. Second, they may want to support the social community, i.e. to 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 former, they could try to enhance the resilience of the local economy against future crises. Finally, they could also be driven by a critique of the prevailing economic system, neoliberal capitalism and its obsession with economic growth. In the context of secondary currencies this attitude most often materializes in the form of a comprehensive critique of the banking system and market-led positive interest rates, a stance which we summarize with the term “interest critique” (D’Alisa, Demaria and Cattaneo 2013).

One should note that some of the motivations stated above might appear to contradict one another. The aim of strengthening local business or increasing economic resilience might conflict with the aim of improving ecological sustainability and with interest critique. Consequently, one could 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. This expectation is perfectly in line with collective action theory in social science. According to Olson (1965) large groups are more difficult to mobilize than small groups. This is because in small groups every single group member can contribute to and benefit from a collective action (such as lobbying for a certain policy or organization of a secondary currency project). However, in large groups, a lot of members can still reap the benefits of collective action without having contributed to it and thus “free ride” on the effort of the other group members. Because contributing to a collective action is costly and the benefits can often not be fully excluded from all members of the group, no single member has an incentive to contribute. The larger a social group and hence, the more diffuse interests become, the more difficult it is to mobilize.

Olson’s (1965) findings are important for scholars of secondary currencies because the organization of such currency projects is essentially a collective action problem. In reality, the theoretical distinction between concentrated and diffuse interests does not need to be that clear, though. On the one hand, diverse interests on behalf of the currencies’ founders can render this collective effort more difficult and limit the mobilization success. On the other hand, more concentrated interests can also limit mobilization if they are too radical to find broad support within the group.

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 [...]” and “In the context of the community, social capital is a resource embedded in the social network ties connecting communities and groups” (Whithman 2012: 142-143).

Thus, we attribute features of a secondary currency which influence the structure of the social relations between participants to the concept of organization. We employed five dimensions of *social organization*. First, we distinguish currencies by their degree of cooperation with other projects, with 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: do organizers vote to decide a currency’s future, by 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 secondary currency are able to participate in the organization of the currency. Are decisions taken in a top-down manner by the initiators of the currency or can participants directly or indirectly shape important decisions by participating in regularly held meetings or by voting on important decisions taken with respect to the currency? Last but not least, the restrictions and rules imposed on the currency need to be examined. All organizers of secondary currencies regulate their use in some way, in order to offer an actual alternative to the primary currency of a country. Regulations of this type may include rules on the type of shops in which the currencies may be used, or a slow decrease in the currency’s value to encourage spending. Hence, one can expect a secondary currency to be more successful the more socially connected and organized it is.

In a nutshell, we can draw two empirical implications from the brief theoretical discussion provided above. On the one hand, we expect secondary currencies to be more successful, the more concentrated or less diffuse motivations are. The narrower the motivation, the easier the mobilization of participants. On the other hand, we expect a higher degree of organization to be empirically associated with more success (hypothesis 1). Technically more sophisticated pro-

jects should tend to be more successful in achieving their initial goals (hypothesis 2).

METHODOLOGY

This research paper is based on a combination of qualitative interviews, a 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; Flick 2014). We used semi-structured interviews with open-ended questions in order to focus the interview on our specific research topic of interest – the founder motivation. The advantage of the semi-structured interview is certainly that the interviewee is allowed a great deal of latitude in his or her response. That way, motivations could be detected in a more original manner than through a fully structured interview or survey, which would have to presume certain dimensions of motivation beforehand. As exact wording is not as important in the use of semi-structured interviews, the respondent can reply more freely. The idea is that through this research method the questions lead to more complete answers (Goldstein 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 selection of the research cases, i.e. the respective secondary currency projects, was mainly based on three criteria. First, our aim was to choose cases that *vary in our independent variable*, i.e. we should be able to observe differences in their motivations and their organizational traits. Since our research topic is explorative in nature, we also aimed at covering a broad range of European countries so as to investigate different contexts. Second, our dependent variable, the success of a secondary currency, was explicitly excluded in the case selection. Finally, *practical considerations* played a role. Due to budget limitations it was not possible to investigate cases in developing countries, for example. Also, the time frame for the research grant was set to a period of five months between January 2013 and May 2013. Given the constraints we faced in determining the variation of outcomes, this approach of selecting based on the 'diversity' of the cases on the independent variable is not exactly equivalent to the well-known 'most-different' case selection design (George and Bennett 2004), but resembles Seawright and Gerring's (2008: 300-301; see also Gerring 2007: 97-99) *diverse case method*. Practically, it was very difficult to determine a priori the degree of success of a secondary currency, mainly because there was no prior research on them. Applying these criteria, we selected seven projects in four European countries, namely the "CROM" in Pula, Croatia; the "Ovolos" in Patra, Greece; the "TEM" in Volos, Greece; the "Brixton Pound" in London,

United Kingdom; the "Bristol Pound" in Bristol, United Kingdom; the "KannWas" in Kiel, Germany; and the "Engel-geld" in Wittenberg, Germany. For each of these secondary currencies, we arranged interviews with the founders and actively involved members of the currency.

In order to better evaluate the results of the interviews we asked the interviewees beforehand to record the interviews. On the basis of the audio files and handwritten notes during the interviews we compiled transcripts. Based on this original data five key dimensions of motivation and organizational design could be established. Additionally, to our analysis of the documented data we further buttressed the validity of the categories by discussing them with experts in the field. In a second step we established an anonymous voting system along the different dimensions, meaning that each researcher received an independent vote on a Likert Scale of 1-5 in order to rate the currencies on the respective importance of each of the motivational and organizational dimensions. Finally, the average results were used in mapping the currencies in the net diagrams on motivation and organization. Moreover, we had the possibility to distribute standardized questionnaires among the secondary currency users to identify their motivation in Brixton and Bristol. 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 Brixton was 20 users. We are fully aware that the results are not representative and exclude the application of sophisticated statistical techniques. However, they provide a first explorative step towards a simultaneous measurement of the motivation of participants and initiators of secondary currencies.

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 *community, region, ecology, resilience and critique of interest*. The results of the seven analyzed projects show that in most of the cases founders' motivations combine several of the stated categories. Projects combining several different motivations tend to be more successful (see definition of project success as stated above). 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. *However, projects that emphasized one motivation also tended to be more radical and thus limited their pool of potential participants.*

The second *explanatory* variable *social organization* is characterized by the five dimensions *cooperation (degree of cooperation with third projects), decision-making (formalized decision-making rules), formal roles (formal roles), par-*

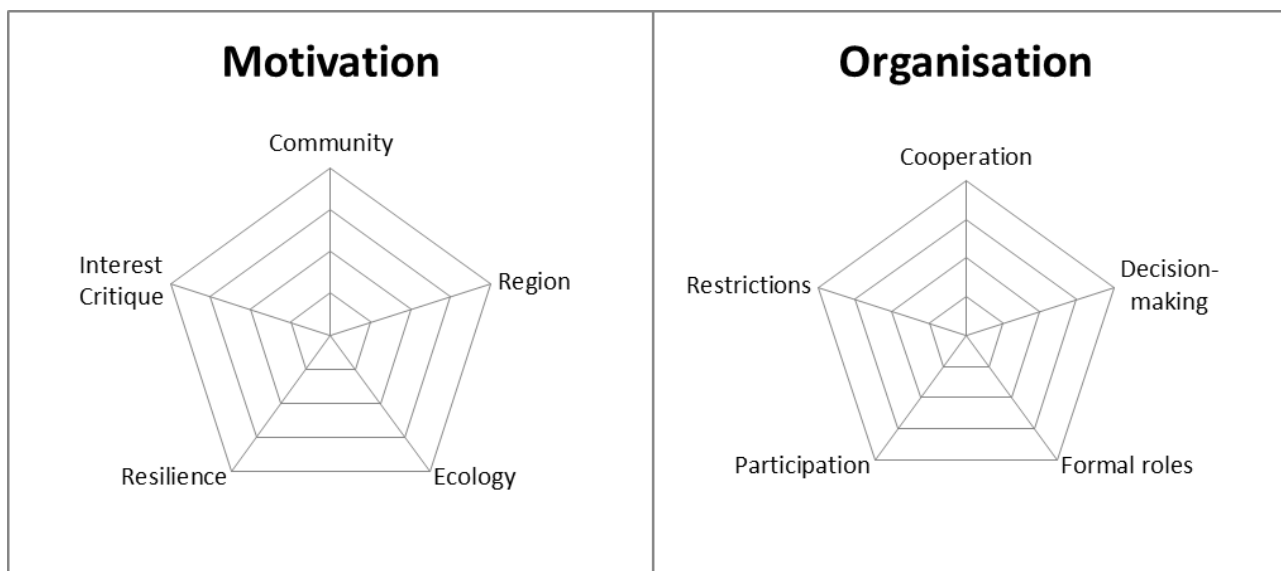


Figure 1: Dimensions of Motivation and Organization

ticipation (participation in the decision-making process) and restrictions (material or ideological restrictions). In line with the motivation variable it becomes clear that projects which rate high on all dimensions of organization correlate with higher project success. Figure 1 summarizes both overarching categories and their five subcategories.

The cases with few motivations and low organization – CROM and Engelgeld – are classified as Type 1 cases. Those cases rating high at the 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 because they mostly score medium values on the motivation-organization nexus. The *motivation-organization typology* can guide future research on the motivation of founding and using secondary currencies.

In Bristol and Brixton the users' motivation was analyzed by means of standardized questionnaires and interviews. In sum, these 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 a less important role than expected in most projects. Second, the currencies tended to address users who already agreed with the proposed goals of the project. Hence, the extent to which the currencies actually affected or changed attitudes and motivations in their communities is put into question. Third, the currencies made a clear difference on the micro-level, especially in those countries hit by the financial crisis of 2007/08. In Volos for instance, users of the TEM were able to trade goods and services 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, and thereby analyzing the interconnections between existing social move-

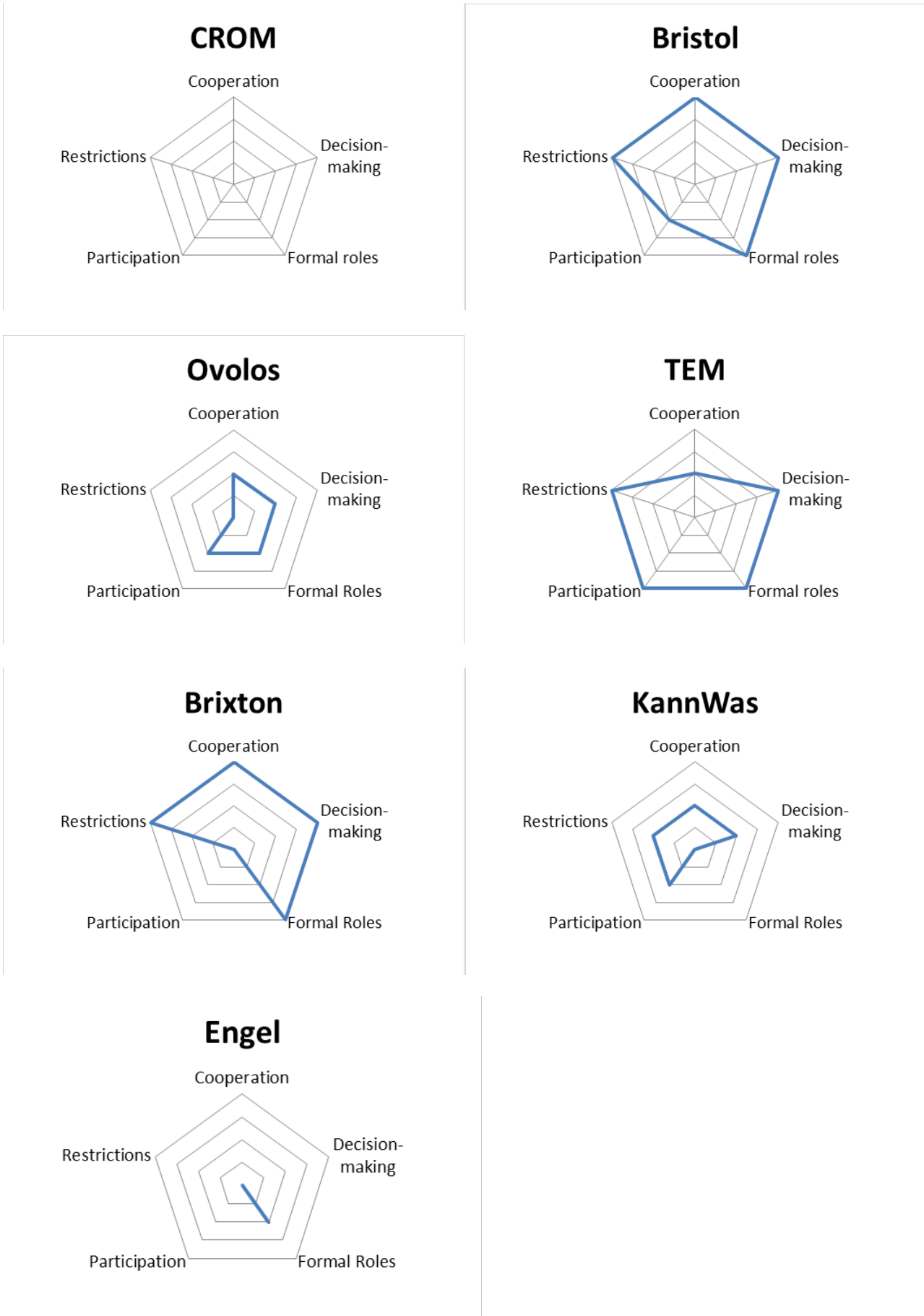
ments such as transition towns and the success of secondary currencies, can be of interest.

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 have 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 (Wiener and Dietz 2009) it becomes relevant to analyze in how far secondary currencies can support regional integration without contradicting the idea of European cooperation and integration in monetary matters. Further research could hence focus on the motivations of currency founders to cooperate with other currencies, and the founders' positions regarding European integration.

CONCLUSION

These case studies on the motivation of secondary currency founders have shown that diverse motivations and a high degree of social organization can increase the likelihood of project success. They open a new field for future research focusing both on the founders' and users' motivation for participating in secondary currency projects. It is clear that secondary currencies may affect community spirit and attitudes (described as "side effects") more than they affect the finances and economic development of a local or regional economic system. However, in order to better understand the role secondary currencies can and do play in today's world, both financially and otherwise, we would like to invite further research on this topic and encourage cross-fertilization across different scientific disciplines.

Figure 2: Secondary currencies’ scores in the Organization dimension.



We cannot exclude the possibility of endogeneity, i.e. that the causal direction between motivation/social organization and a currencies' success is not exactly working as proposed in this paper. It could be the case that success causes certain motivations to appear or that more success makes a more sophisticated organizational structure necessary. In fact, it is very likely that differing degrees of success, especially at the beginning of a secondary currency project, will cause the initiators of these projects to change certain aspects of the currency or certain organizational features of their social enterprise. To exclude the endogeneity problem, where possible, we only took into account the starting motivations of the initiators and the organizational features as they were when the currencies were started.

There are two caveats with respect to our results. First, this paper cannot fully exclude certain methodological problems such as non-quantifiable data, endogeneity or non-representativeness. Second, the finding that founders and participants of secondary currencies share the same motivations might seem counter-intuitive to researchers who are more familiar with currency projects in developing countries, where poverty alleviation are often more important than other benefits, like strengthening of social capital or community development (Seyfang 2000). However, it is less surprising in a developed-country context like in Bristol or Brixton, where it is very probable that a large share of participants has a higher educational background and can economically afford to share the more abstract ideas of currencies' founders.

Nevertheless, we are confident that our findings will contribute to the growing research on secondary currencies and civil society movements. Especially comparisons between founders' motivations and/or ideology and those of the participants might provide a fruitful venue for future research, which could also be conducted quantitatively using a large-N survey-based approach. One possible research program could shed further light on the discrepancies between motivations of currencies' founders and the members. Are, for example, founders more or less willing to sacrifice some democratic organizational mechanisms if their own beliefs are at odds with those of their members? Is it necessary for the currencies administrators' beliefs to be in line with those of their members in order to be successful in the long term? Those and similar questions could guide further research and would tackle both empirical and normative dimensions of secondary currency research.

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APPENDIX 1**SECONDARY CURRENCIES' SCORES IN THE
ORGANIZATION DIMENSION**

Criteria		CROM	TEM	Bristol	Brixton	Ovolos	Kann-Was	Engel
Organization	Cooperation	0	1	2	2	1	1	0
	Decision-making	0	2	2	2	1	1	0
	Formal roles	0	2	2	2	1	1	1
	Participation	0	2	1	1	1	1	0
	Restrictions	0	2	2	2	0	1	0
Restrictions	spatial	No	Yes	Yes	Yes	No	Yes	No
	subject	No	Yes	Yes	Yes	No	No	No
	social	No	No	No	No	No	No	No