

Seo, S. (2023). Reexamination of Public and Community Currency Projects: Focusing on Korean Cases. *International Journal of Community Currency Research* 27, 33-53.
<https://doi.org/10.15133/j.ijccr.2023.003>

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International Journal of Community Currency Research

VOLUME 27 (2023) 33-53

REEXAMINATION OF PUBLIC AND COMMUNITY CURRENCY PROJECTS: FOCUSING ON KOREAN CASES

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ABSTRACT

Recent activities in complementary or community currencies (CCs) in Korea have been divided into two distinct categories: community currencies, identified as community projects, and local money, recognized as public projects. This study aims to explore the reasons for the bifurcation of CCs into public and community projects, particularly focusing on examples from Korea, and to reveal the fundamental characteristics of each type of project. It examines the surge in issuance of local money as public projects following the COVID-19 pandemic, alongside HanbatLETS, a community project that has been operational in Korea for over two decades. The findings indicate that local money, when implemented as public projects, is limited to its area of distribution, whereas community currencies, as community projects, not only originate from but also aim to extend beyond the distribution area to include the production sector. Additionally, the study underscores the importance of CCs engaging in activities that go beyond simple payment and distribution functions to include aspects of production, as a means to prevent local decline through enhanced local circulation and regeneration.

KEYWORDS

Community currency, complementary currency, local money, CCs, community projects, public projects, HanbatLETS, Korea.

1. INTRODUCTION

The movement of complementary or community currencies (CCs) has seen significant evolution and diversification globally in the four decades following the inception of Local Exchange Trading Systems (LETS). Surveys among CC experts reveal a wide range of opinions, highlighting the complexity and varied applications of CCs over time (Contreras, 2021). This diversity of views underscores the need for a broad, rather than narrow, interpretation of CCs to foster innovation and explore new possibilities in various contexts. Accordingly, this paper adopts a broad definition of CCs as mediums of exchange rooted in local foundations.

Efforts to grasp the evolving trends in CCs, going beyond simple typological categorization, have been a constant focus over the years (Blanc, 2011; Blanc & Fare, 2013; Izumi & Nakazato, 2021). Notably, government-led public projects have risen to prominence recently. Prior research (*ibid.*) has underscored this development, with similar trends now becoming apparent in Korea as well. CCs in Korea began based on local communities since 1996, in response to environmental concerns and financial crises. However, there is now a growing interest in CCs as public projects initiated by central and local governments. Specifically, CCs as public projects are characterized by the state's direct operation of projects, rather than providing indirect support to existing CCs. Consequently, CCs are often categorized into community projects and public projects.

Prominent Japanese CC researcher Yuki (2020, 2022) contends that for CCs to be circulated effectively and tackle social challenges, they need to develop into initiatives that cover both the production and distribution elements of social reproduction. Thus, it is significant not only to monitor the evolving dynamics of the CC movement but also to deeply investigate the integration of CCs with local social reproduction processes.

Yet, the impact and the changes induced by categorizing CCs into community and public projects, on their core principles, remain insufficiently explored. The aim of this study is to investigate the reasons behind the split of CCs into community projects and public projects, particularly concentrating on examples from Korea, and to reveal the core nature of each type of project. The earlier mentioned shift in focus for local currencies from a community to a national basis, and the analysis of the distinctions between the two, seeks to examine the essence and potential future directions of each initiative.

Moving forward, community projects will be designated as community currency, and public projects as local money. This research adopts a qualitative research approach focusing on an in-depth review of CC projects in Korea. By employing qualitative methods, this study aims to explore the complex dynamics and nuanced aspects of community and public projects. Data collected from various sources such as interviews, published literature, and statistical data are analyzed through qualitative methods. Techniques such as thematic analysis, content analysis, and comparative analysis ensure a thorough and nuanced interpretation of the data. Through this approach, the research identifies key themes and patterns, providing a rich understanding of the research topic.

This study employs a qualitative research methodology to conduct an in-depth examination of CC projects in Korea. Data have been gathered from diverse sources, including interviews, scholarly literature, and statistical information, and analyzed using qualitative methods. Techniques such as thematic analysis, content analysis, and comparative analysis ensure a comprehensive and nuanced interpretation of the collected data. By adopting this approach, the research uncovers significant themes and patterns, offering detailed insights into the subject matter.

The research methodology focuses on analyzing CC cases in Korea. Chapter 2 delves into the background of CC introduction in Korea and the history of CC research within the country. Chapter 3 will investigate the current status and core nature of public projects. Meanwhile, Chapter 4 presents a case study on HanbatLETS, a significant community project.

2. OVERVIEW OF CCS IN KOREA

2.1 Development process of CCs in Korea

(1) The genesis period

In Korea, community currency was first introduced in 1996 through articles published in "Green Review" by Barbara (1996), Nick & Patricia (1996), and Maruyama (1996). Following the Asian financial crisis in 1997, there was a deepening of distrust and dissatisfaction towards the government's inability to control the indiscriminate business activities of corporations in the market sector. This situation served as a catalyst for communities to explore new possibilities independently of the market and government, leading to the development of the community currency movement (Park, 2001; Chun 2005; Kim, M., 2012). Established in March 1998 as a means to invigorate local economies and address unemployment, Future Money became the first community currency in Korea.

(2) Expansion period

HanbatLETS, the subject of this study, began recruiting members in October 1999 and initiated transactions in February 2000, positioning it as the third community currency in Korea. Likewise, Gwacheon Pumasi was founded in October 2000 and started transactions in April 2001 (Choi & Jeon, 2018). Both have been recognized by IJCCR as community currencies that have sustained continuous activity in Korea (Kang & Hong, 2015). Concurrently, Songpa Pumasi Group launched Songpa Money, marking another significant development in community currency. Its preparatory phase started in 1999, with active operations commencing in 2000. Following these, a variety of community currencies emerged across educational institutions, social welfare organizations, and volunteer agencies. By November 2000, there were 31 active community currencies throughout the country (Chun, 2006).

(3) Downturn

However, as Korea recovered from the 1997 Asian financial crisis, interest in community currencies gradually diminished (Cho J., 2013). In 2001, a mutual aid system managed by the Anyang City Volunteer Center was discontinued, and by 2005, Dandelion, celebrated as Korea's first educational currency, halted its operations. In 2006, Korea's pioneering community currency, Future Money, was struggling to continue its activities, and several community currency projects, including the Jeonju mutual aid system, went into a temporary halt (Chun, 2006). During this time, only a handful of community currencies remained active, including Future Money, Jageumarket, Green Network's Love Green Currency, and HanbatLETS (So & Yoo, 2004).

(4) Revival period

During the 2008 financial crisis, as Korea faced a rise in bad credit holders and unemployment rates, interest in community currencies saw a revival, echoing the period of the 1997 Korean Financial Crisis. This resurgence was propelled by heightened media coverage and an increasing desire to rejuvenate village communities. Civic groups and government agencies, including the Ministry of Gender Equality and Family and the Ministry of Employment and Labor, started to consider the implementation of community currencies. By 2012, the count of community currencies nationwide had exceeded 40. This revival was primarily fueled by the voluntary efforts and enthusiasm of local residents, but also progressed with the support of local governments (Chun & Song, 2012).

(5) Transition period

The mid-2010s marked a pivotal transition for major CCs in Korea, from community currencies to local money. The initial instance of local money in Korea, the Geochang Love Vouchers, was issued on September 9, 1999, but its limited scope hindered its widespread acknowledgment (Yonhap News Agency, 1999). Seongnam City spearheaded the formal adoption of local money in December 2006, established a dedicated computer network in 2008, and set up a 10 billion KRW fund in 2009, which remains operational. In 2016, Gangwon Province launched local money that could be exchanged for cash and received official support from the local government, aiming at its 1.55 million population through an extensive distribution network (Yeo & Kim, 2019). Beginning in 2018, the central government started issuing local money named Local Love Vouchers to stimulate regional economies and promote balanced development. With national budget backing and discount sales strategies, the initiative sought to enhance

local spending and increase revenue for small businesses. The issuance of local money saw a significant increase in 2020 as a measure to counteract the economic impact of the COVID-19 crisis.

2.2 Research history

(1) Integration of theoretical and empirical research

The study of CCs in Korea has traditionally been divided into two main types: theoretical research and empirical research. The latter includes both case studies and analysis of policy impacts, as Choi & Jeon (2018, pp. 9-11) have thoroughly documented. Furthermore, Kim M. (2012) underscored the importance of merging the practical facets of the CCs initiative with its theoretical underpinnings, arguing for a comprehensive perspective that regards these elements as mutually enhancing.

Research in Japan, documented by Nishibe et al. (2013), engaged 34 researchers and activists across various theoretical frameworks, cases, and materials on CCs. Despite the potential risks from inconsistency and the lack of a systematic method, the diversity in methodologies has effectively highlighted the complex nature of CCs. The critical need for detailed evaluations of both theories and cases stands out.

Analysis by Alves & Santos (2018) of 78 articles in IJCCR from 2009 to 2016 showed that 51% were case studies, 23% theoretical explorations, and 26% combined both. This indicates about a quarter of IJCCR studies aim to blend empirical with theoretical research. This study looks at HanbatLETS and local money, comparing them through social reproduction theory. Echoing prior research, it integrates case studies and theory in a holistic approach.

(2) Preceding research on HanbatLETS

Investigations that incorporate the firsthand experiences of HanbatLETS activists (Park, 2001, 2011; Kim, S., 2019a, 2019b), analyses grounded in consumer theory (Chun, 2006, 2014; Chun & Lee, 2005; Chun & Song, 2012), explorations in political economy (Kang, 2002; Kim, M., 2012), ecological assessments (Yoon, Y., 2005; Choi & Kim, 2014), examinations of transaction networks (Ryu & Choi, 2003), and research utilizing participant observation and feminist perspectives (Cho O., 2013) focus primarily on HanbatLETS. In contrast, HanbatLETS has also been featured in comparative studies alongside other community currencies, as seen in the works of Cha (2012), Cho, J. (2013), Han (2014), and Cho, B. (2020).

In international research, HanbatLETS has been recognized as a leading example of a CC in Korea, as noted by Kang & Hong (2015) in IJCCR. In Japan, Hirota (2005, pp. 148-149) provided a brief overview of it, and its importance in scholarly debates has been highlighted by Chun (2013) and Segawa (2014).

Similar to previous research, this study conducts a comparative analysis as well. However, it distinguishes itself by comparing HanbatLETS, a community-driven initiative, against local money, which is a government-backed project.

(3) Preceding research on local money

Prior research on local money in Korea around 2020 has sparked an intense debate regarding its role in economic rejuvenation, particularly its impact on boosting income and employment for small business proprietors. Affirmative findings highlight the regional spending's multiplier effect (Lee et al., 2017; Yang, 2019), the enhanced marginal propensity to consume owing to local money's premium (Yeo & Kim, 2019), quantitative analyses leveraging panel data (Yun & Yoo, 2021; Yoo & Yun, 2021; Yoo et al., 2020), combined analyses of net consumption increase effects and surveys (Yang et al., 2022), and the analysis of industrial linkage effects (Lee & Kim, 2017, 2019; Lee & Park, 2018).

Conversely, some studies reveal minimal or nonexistent positive impacts, including empirical analyses using nationwide business census data from Statistics Korea (Song & Lee, 2020, 2021; Kang et al., 2020, 2022), and regression analyses on how local money consumption subsidies affect local residents' spending habits (Yoon, S., 2020).

This study distinguishes itself from previous research by directly comparing community currency and local money, analyzing the impact of their respective activities on the structures of local economic reproduction.

2.3 Bifurcation

CCs, initially rooted in local communities across various countries including Korea, have recently witnessed an up-tick in issuance as part of fiscal strategies or through support from local or central governments. Past research primarily engaged with this phenomenon through typological examinations of CCs (Martignoni, 2012). Yet, a novel scholarly direction has surfaced, interpreting this as a trend or innovation and investigating CCs from a generational standpoint (Blanc, 2011; Blanc & Fare, 2013).

Independent of the research methodology, the evolution of CCs both globally and within Korea displays a bifurcation influenced by community and national contexts. In Korea, government policy support has led to a significant issuance of local money, which has somewhat constrained the space for grassroots community currency initiatives that were previously localized (Lee, H., 2020).

However, there are clear differences in the objectives and scope of activities between public projects and community projects, underscoring the comparative analysis of the two an essential task.

3. LOCAL MONEY AS PUBLIC PROJECTS

3.1 Overview

(1) Background

Community currency initiatives, once thriving in Korea during the early 2000s, saw a downturn with little to no significant innovation thereafter. However, the recent introduction of local money¹ as public projects by both central and local governments has marked a revival. This resurgence is linked to the strategic ease of applying fiscal measures within designated areas, limited to specific regions, sectors, or time frames.

Local money is distributed in two main ways: policy issuance, where central/local governments distribute free payments to citizens/local residents at no cost, and general (discount) issuance, in which local residents purchase the currency at a discount, less than its nominal value (Kang et al., 2020).

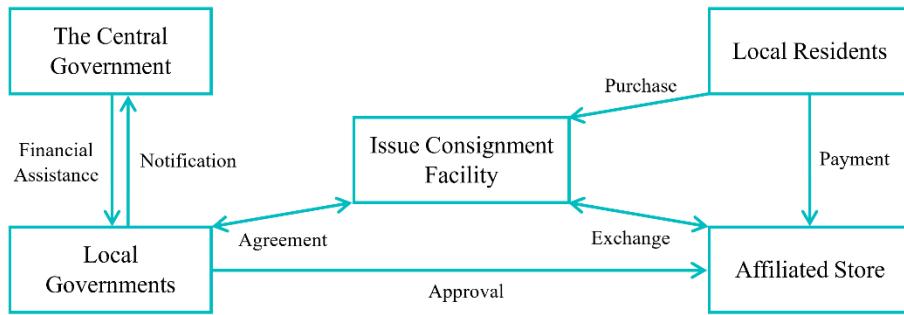
In the case of policy issuance, local governments utilized local money in 2019 to assist young people, low-income single-parent families, and low-income families, aiming to bridge the gaps in Korea's social welfare system. Following this initiative, in 2020, the central government provided emergency disaster relief through local money to those whose earnings were impacted by COVID-19.

The discount issuance approach further extended support to small business owners and the self-employed, severely affected by the pandemic (Yoo & Yun, 2021). According to OECD, Korea's self-employment rate was 23.5% in 2022, notably high among OECD countries². Direct financial assistance for self-employed individuals in Korea during the COVID-19 crisis was comparatively low, averaging 2.4 million KRW per business in 2020 (Hong et al., 2021), leading to an increased emphasis on indirect support through the local money system, utilizing both policy and discount issuances.

(2) Operation method

For policy issuance, local residents can choose to either visit local government offices or apply through a website/mobile application (Lee, K., 2020). On the other hand, the procedure for discount issuance operates through a distinct issuance framework, as depicted in Figure 1. This is executed through designated issuing consignment facilities, including selected financial institutions and payment agencies authorized by the local government. Residents have the flexibility to either directly visit these facilities or purchase local money through a website or mobile application.

Figure 1: Distribution structure of local money as discount issuance type



Source: Created by the author.

To be recognized as an affiliated store, small business owners and the self-employed must report annual sales below 1 billion KWR (Yoo & Yun, 2021). The fee for these affiliated stores varies from 0.5% to 1.1%, dependent on annual sales, comparable to debit card fees. However, payments to these stores are made in cash, not in local money.

Residents can acquire local money at a discount of 5-10%, with the discount costs being shared by central and local governments. Initially, the central government covered 4% of the discount, but this share was increased to 8% after the first supplementary budget of 2020 was passed (National Assembly Budget Office, 2020). Issuing local money also entails administrative expenses, leading to an actual financial burden of 2-8% on local governments, depending on the discount rate. With the central government's supervision and financial support, local governments formulate plans to issue local money (Yeo & Kim, 2019). This situation presents a considerable challenge for local governments, as the extent of local money issuance is largely contingent on the fiscal constraints of the central government.

(3) Issuance scale

Among Korea's 243 local governments, 232 are currently issuing local money. As illustrated in Figure 2, the issuance volume has dramatically increased by over 300 times, from about 89.2 billion KRW in 2015 to approximately 27 trillion KRW in 2022. This remarkable growth is due to an increase in local money issuance by local governments in 2019, which was significantly expanded in 2020 by the central government as a measure against the COVID-19 pandemic.

Figure 2: Local money issuance and number of participating local governments



Source: Adapted from Song & Lee (2020), Yun & Yoo (2021), Ministry of the Interior and Safety website

Despite a 2022 budget bill reducing the central government's share from 8% to 4%, the issuance volume still reached 27 trillion KRW, exceeding the totals for 2021. Additionally, there has been a rise in experimental issuances, spurred by recent discussions on linking universal basic income with local money (Yoon, S., 2020).

With the steady increase in issuance, questions about the effectiveness of local money have surfaced in Korea. The ensuing controversies will be analyzed in subsequent sections.

3.2 Controversies

(1) Reducing welfare

Song & Lee (2020) critique the implementation of local money in Korea for potentially diminishing the welfare of both consumers and society at large. They argue that due to the regional and sectoral restrictions on where local money can be spent, its use may result in a net decrease in consumer welfare compared to traditional cash. This assertion is based on the premise that while the issuance of local money might temporarily boost consumer welfare through incentives, this benefit is negated by the compulsion to shop at smaller, often more expensive stores that accept local money, as opposed to larger retailers that do not.

Moreover, the concept of issuing local money is likened to international trade barriers, suggesting that while it may initially prevent wealth outflow and act as a regional trade barrier, it could eventually lead to detrimental industrial retaliation between regions (ibid.). Thus, the restricted application of local money is criticized for limiting consumer choice, increasing resource allocation inefficiency, and consequently degrading overall societal welfare.

Contrary to Song & Lee's argument, which fundamentally views local residents = consumers, the primary objective behind the issuance and circulation of local money is not to enhance resource allocation efficiency. Furthermore, the structural design of local money extends beyond treating users as mere consumers. Hence, evaluating local money purely on the basis of consumption utility may not be entirely fitting. Additionally, the focus on regional competitive dynamics overlooks the potential for a positive-sum outcome arising from the stimulative effect on consumption through the use of local money, despite the presence of competitive factors among regions.

(2) Promotion of consumption

Local money is acknowledged for its potential to spur additional consumption, given its inherent characteristics of needing to be spent within a specific timeframe and its inability to be saved due to expiration dates (Yun & Yoo, 2021). Despite this, the issue of savings persists even with the use of local money. While it cannot be directly saved, the equivalent value of the premium gained from using local money can reduce cash expenditures.

Yoon, S. (2020) evaluates that local residents, as rational consumers seeking to maximize their utility, do not necessarily increase their expenditure with the use of local money since they adjust their spending patterns accordingly. This phenomenon has been observed in the issuance of local money by both the central and local governments in Japan, where the system's design is similar to Korea's. For instance, local promotion certificates issued in 1999 amounted to approximately 619.4 billion JPY in business scale but only induced about 202.5 billion JPY (roughly 32%) in economic activity.

Similarly, premium gift certificates in 2014, with a business size of about 248.3 billion JPY, resulted in an economic inducement of just about 64 billion JPY (approximately 25.8%) (Kazama, 2015). These instances indicate that additional consumer spending spurred by local money was limited, with most of the surplus being channeled into savings. Thus, even though direct saving with local money is not feasible, its utilization indirectly enhances savings capacity.

In Korea, from January to October 2020, 14.9 trillion KRW of local money was issued, resulting in a nationwide increase in local income of about 2.0 trillion KRW. Considering the project cost for the central and local governments was 1.2 trillion KRW, the net regional value added was 0.8 trillion KRW (Yeo, 2021), translating to an economic inducement effect of about 67%. Despite the significant income drop due to COVID-19, the additional cash from local money facilitated consumption rather than savings, with an economic inducement effect surpassing Japan's 26-32% rate.

Several factors can explain the differences between Korea and Japan's outcomes. First, the long-term savings rates between Korea and Japan do not significantly differ, making it challenging to attribute the variance to savings tendencies alone³. Second, Korea has approximately 2.7 times more self-employed individuals than Japan (footnote 2), and businesses are generally smaller in scale. This has resulted in a more abundant and diverse range of merchants accepting local money in Korea, likely offering consumers more choices.

Third, despite both countries imposing restrictions on the usage period and participating merchants of local money, there is a distinct difference in system design; Japan predominantly uses a policy issuance model, while Korea favors a discount issuance model. The policy issuance model, providing local money uniformly to certain demographics, might lack usage planning or motivation. In contrast, the discount model encourages consumers to actively purchase and spend local money, potentially leading to a more significant stimulative effect on consumption.

These differences likely influence the recovery rate and purchasing power increase associated with local money. Nonetheless, the direct impact of consumption promotion on regional revitalization remains uncertain.

(3) Local activation

Song & Lee (2020) also scrutinize the efficacy of local money in boosting consumption and stimulating regional economies. They observe that any positive impact on a local economy from the adoption of local money within one region may be neutralized by similar initiatives in neighboring regions. Furthermore, they note that local money tends to be spent predominantly in certain types of businesses, such as supermarkets and grocery stores, with negligible sales boosts in other sectors. Employment gains were mainly seen in these businesses as well, but these were temporary positions, failing to create long-lasting, quality jobs (Kang et al., 2022).

In terms of usage, local money was most commonly spent in markets/supermarkets, restaurants, hospitals/clinics/pharmacies, bookstores/optician/stationery shops, gas stations/furniture stores, and hair salon/laundries, according to Yeo (2021). However, according to the National Tax Service (2021), the distribution of self-employment across industries in Korea for 2020 was as follows: real estate rental at 29.0%, services at 18.0%, retail at 12.9%, restaurants at 10.2%, transportation/warehouse/telecommunications at 7.8%, wholesaling at 6.6%, agency/brokerage/contract at 1.0%, accommodation at 0.7%, and real estate sales at 0.3%. When the unique category of real estate rental is excluded, the alignment between the sectors that predominantly utilize local money and those with high self-employment rates makes it challenging to ascertain the specific intensity of local money use in particular businesses.

Moreover, the limited impact on employment can be understood considering that local money in Korea often takes the form of one-time gift certificates that do not recirculate, leading to a concentrated but short-lived effect upon issuance. Given that employment levels generally do not react sensitively to policy changes (Kang et al., 2020), any observed increase in employment is likely not merely due to short-term increases in sales but might suggest deeper, more sustained enhancements within local economic structures.

Therefore, for local money to significantly impact new employment, a system that ensures its continuous circulation rather than one-off issuance is crucial.

(4) Regional and national level

Song & Lee (2020) highlight the issue of deadweight loss associated with local money. To offset the lower utility of local money compared to cash, a premium of about 10% is offered, funded by taxation, which they argue results in a deadweight loss that does not contribute to existing consumer welfare. Additionally, they raise concerns about the misalignment between the competitive strategies of local governments and national-level efficiency.

The circulation of local money within a specific region shifts expenditures from other or adjacent regions to it, leading to decreased consumption in areas without local money. This prompts those regions to introduce their own local money to maintain competitiveness. According to game theory, the universal adoption of local money by local governments becomes a dominant strategy. However, when all local governments employ local money, the economic revitalization effects merely redistribute consumption from one region to another, canceling out any net economic benefits at the national level. Consequently, the overall deadweight loss and operational costs of local money represent net economic losses. Furthermore, they argue that local money issuance distorts market functions, suggesting direct support to local businesses might be more effective than indirect support via local money.

While this viewpoint is valid in terms of market function analysis, it overlooks a comprehensive analysis of why the system was implemented. A deeper examination of the coexistence of direct support for local residents through

local money issuance and indirect support for local businesses through designated spending locations is necessary. Such an analysis would clarify whether the policy objectives and the mechanisms of local money utilization align, potentially offering a more nuanced understanding of its economic impact and efficacy.

3.3 Internal structure

(1) Dilemma of indirect support

The impact of local money on consumption patterns manifests in two significant ways. The first is a horizontal shift, where consumption previously directed outside the region is reallocated to within the region. The second is a vertical shift, where consumption once concentrated on large corporations shifts towards smaller, local businesses.

This context necessitates a reevaluation of Song & Lee's (2020) argument. While it is accurate that an increase in consumption in one region necessarily means a decrease in another, thus negating the horizontal effect, the vertical movement—encouraged by setting specific conditions for sales and designating affiliated stores—remains impactful. Moreover, the vertical effect can influence the horizontal movement. Restrictions on local money usage based on business size can prevent the regional outflow of purchasing power.

When expenditures occur at large stores, a significant portion of the profits are remitted to headquarters in other, often larger, regions. This is not the case with small businesses, where profits tend to stay local, suggesting that size-based restrictions also bolster regional purchasing power retention. However, there is no assurance that the additional revenue for the self-employed will circulate back into the local economy, highlighting the need for mechanisms that ensure local money's recirculation within the region.

Given Korea's high self-employment rate and the critical role of fiscal policy in support, the Korean government's issuance of local money during the COVID-19 crisis aimed primarily at short-term support for the self-employed, rather than long-term local economic revitalization. While local money serves as direct support by offering premiums to residents, its effectiveness as indirect support for small business owners is less clear, due to the lack of guarantee that local money will be spent in their establishments.

Consequently, disparities in local money expenditure across industries and locations are inevitable, alongside mismatches between the extent of COVID-19's impact and the provided government support. Given that the primary objective of introducing local money is to offer short-term support to the self-employed rather than to rejuvenate the local economy, a more direct support system might be deemed more suitable, as suggested by Song & Lee (2021).

(2) Absence of circulation

The surge in the issuance of local money in Korea, driven by the need for swift financial aid during the COVID-19 crisis (National Assembly Budget Office, 2020), led to immediate support for local inhabitants. However, this approach revealed significant shortcomings in the institutional framework meant to boost sales for small businesses. Specifically, the system lacked a cyclical structure where redistribution followed payments.

Both card and mobile versions of local money can be converted and deposited into bank accounts post-transaction; similarly, bills versions of local money are easily exchangeable at local banks, rendering local money merely an alternative payment method. In contrast, community currency is distinguished by its ability to invigorate the local economy, rejuvenate the community, and foster a sustainable economy through its circulation.

This highlights a stark contrast in the institutional design between local money and community currency. Despite being termed "local" money, its capacity for genuine redistribution within the region and for stimulating the local economy is inherently restricted. Moreover, when accounting for the shift of consumption across regions—for instance, buying raw materials from a different area—the ability to translate the consumer promotion effect of local money into a benefit specifically targeted to a certain region proves challenging.

Local money merely boosts the national economy by increasing purchasing power through the premium received upon its purchase. Consequently, viewing local money as a direct and effective catalyst for local economic revitalization is challenging. There is a critical need to enhance the system to ensure local money circulates within the region, preventing the dilution of its impact by the consumption transfer among regions. Without such improvements, fostering additional employment and investment within the region remains an elusive goal.

(3) Mix of cash benefits and in-kind benefits

In Korea, despite increasing public social spending, it remains at only about 67% of the OECD average as a percentage of GDP⁴. The COVID-19 pandemic has rapidly escalated the need for welfare policies (Lee, K., 2020), revealing a shortfall in the budget allocated for welfare expenses. In response, local money was introduced as an experimental welfare benefit. Thus, it is more accurate to consider local money as part of Korea's fiscal policy rather than a strict CC program⁵.

Local money represents a unique blend of cash and in-kind benefits, differing significantly from traditional fiscal policy benefits. Cash benefits directly provide purchasing power to recipients, allowing them the flexibility to choose goods and services according to their preferences. In-kind benefits, however, are restricted to specific services like medical care for low-income individuals and elderly care, imposing strict usage limitations.

Local money encompasses both: it offers cash benefits, enabling residents to freely make purchases in the market, and in-kind benefits, where the state directs spending towards specific industries to encourage the procurement of particular goods and services. Implementing in-kind benefits typically involves a complex process of legal adjustments, budget planning, ordering, and distribution.

However, during the urgent circumstances of the COVID-19 crisis, local money was rapidly deployed as a form of cash benefit through straightforward procedures via websites and mobile applications. This approach also managed to disperse spending within a set timeframe, potentially avoiding sudden spikes in market demand.

Despite concerns from Song & Lee (2020) about local money distorting market functions, it is believed that such measures can effectively leverage the market's supply and coordination capabilities. The deployment of local money during the pandemic can be seen as a multifaceted strategy encompassing income support, aid for the self-employed, economic stimulation, and trials related to universal basic income (Yoo & Yun, 2021).

Although the potential for market distortions and adverse effects has been noted, the policy successfully struck a balance between cash and in-kind benefits, ensuring immediate cash support for urgent needs and optimal in-kind benefits for areas requiring targeted support.

4. HANBATLETS AS COMMUNITY PROJECT⁶

4.1 Overview

(1) What is HanbatLETS?

HanbatLETS is a community currency operational in Korea for over two decades; it is considered a post-capitalist activity (HanbatLETS, 2018). As recorded in 2020, the network comprises 27 business members and 670 family members. Transactions within this system allow for a blend of the Korean won and its proprietary currency, duru, at a parity of 1 KRW to 1 duru, with a mandatory minimum duru usage of 20-30% varying by transaction type.

Initially, transaction fees were waived, but shifted to a 5% charge of the transaction value from 2001 to 2006, before reverting to a fee-free structure in 2007. Membership fees, earmarked for operational costs, have escalated from 1,000 KRW in 2001 to 10,000 KRW by 2015.

Financially, as of 2020, the revenue streams from membership dues, business contributions, sponsorships, and miscellaneous sources totaled 103,682,430 KRW and 21,602,120 duru, against expenditures on activities and management amounting to 110,539,399 KRW and 19,644,630 duru. Despite experiencing minor losses in KRW and gains

in duru, the organization maintained financial stability, thanks to prudent carryover practices from the preceding year.

(2) Introduction background

HanbatLETS are distributed across Daedeok-gu and Jung-gu in Daejeon Metropolitan City, located approximately two hours by car from Seoul, with a combined population of 411,503 in 2021. At the inception of HanbatLETS, the city was marked by a low settlement rate, attributed to a higher influx of migrants compared to native residents, alongside a conservative climate that was resistant to innovative ideas (Park, 2001).

In the aftermath of the 1997 Asian financial crisis, there was a nationwide surge in initiatives by local residents to establish a foundation for self-sufficiency, independent of governmental or corporate support. This period also saw growing aspirations for a lifestyle that promotes coexistence between the community and nature, propelling efforts to introduce community currencies (Chun & Lee, 2005; Kim, H., 2008; Kim, M., 2012).

Yet, the unique regional attributes of Daejeon presented challenges in immediately broadening the community currency movement. To address this, starting from 1998, the founders of HanbatLETS began engaging local residents with CCs by disseminating magazines featuring articles on CCs from abroad and organizing forums for the local community. By 1999, through magazine advertisements and media outreach, membership recruitment was initiated, leading to the formal establishment of the organization and the commencement of transactions (Park, 2001).

Despite numerous failures encountered by community currencies introduced in other regions, the gradual recruitment of members and the active participation of the initial members significantly contributed to the successful establishment of HanbatLETS (Chun & Lee, 2017).

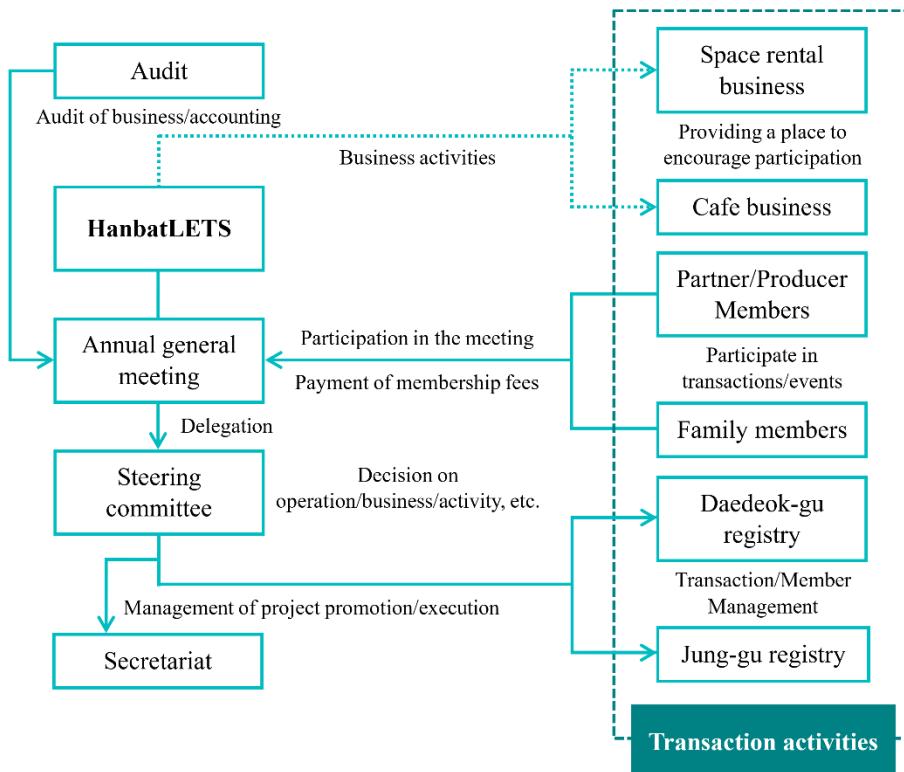
(3) Operation method

The structure and operational dynamics of HanbatLETS are illustrated in Figure 3, showcasing the organization's framework. The Annual General Meeting, held every February, serves as the principal decision-making entity, ensuring members' direct involvement. This meeting is pivotal for the dissemination of audit reports covering finances, transactions, and yearly activities to the members, alongside the election of a representative and operating committee members.

These elected individuals subsequently convene a monthly steering committee to deliberate on regular decisions, while the secretariat is tasked with the overall project implementation. Management of member and transaction records is facilitated by two exchange registries. The efficacy of the secretariat and activists' office in processing, daily management, and activity organization is deemed crucial for the sustainability and proliferation of CCs (Thiel, 2012, p. 95).

Initially, HanbatLETS relied on volunteers who alternated responsibilities among themselves. However, the current structure includes a full-time staff member stationed at each exchange registry. Given the community currency's inherent characteristic of predominantly face-to-face transactions, HanbatLETS also directly manages a space rental service and café to foster member participation and activity engagement.

Figure 3: Organization Chart of HanbatLETS



Source: Created by the author.

4.2 Characteristics of transactions

(1) Transaction methods and features

To engage with HanbatLETS, individuals must first enroll as members, upon which an electronic account is created for them and credited with 20,000 duru to stimulate initial participation. Transactions are facilitated through the use of information provided on the website and social media platforms. Following a transaction, participants must report the details on the website, resulting in a credit (+) to the seller's account and a debit (-) to the buyer's account. No restrictions are imposed on the deficits or surpluses of accounts, and members are responsible for their own tax declarations and payments.

A significant share of the transactions involves second-hand goods, crafts, agricultural produce, and rental items, with the system distinguished by its emphasis on ecological activities that promote coexistence between the community and nature. A particularly notable aspect is the substantial representation of the healthcare sector in overall trading activities, averaging about 27% from 2005 to 2021. Medical entities affiliated with HanbatLETS include the Mindlle Health Welfare Social Cooperative and the Daniel Dental Clinic. Moreover, because one business member, Dure Pharmacy, is in the building next to the Mindlle Health Welfare Social Cooperative, this creates synergy between medical services and dispensing.

(2) Quantitative limits of transactions

Upon examining Figure 4, we observe that the total turnover (in KRW + duru) exhibited an increasing trend from 2000 to 2014, peaking at 392,831,366 KRW+duru in 2014, before entering a clear downward trajectory. The long-term decrease in transactions has been attributed by HanbatLETS to several factors: the website's user interface, unchanged for two decades and thus user-unfriendly; heightened price competition due to the advent of online shopping; a reduction in agricultural product trade; a downturn in recycling activities; and the aging demographic of its members⁷.

Figure 4: Total turnover (bar, left) and number of families (line, right) in HanbatLETS



Source: Based on HanbatLETS (2002, 2004-2021), written by the author.

In 2020, transaction volumes decreased due to COVID-19. However, considering that community currencies often involve numerous face-to-face transactions, the ability to limit the decline to this extent is noteworthy. A concerning trend highlighted in Figure 4 is the decrease in total turnover, despite the number of participating families remaining constant or increasing. Looking at other trading trends, it was found that restrictions on income-earning activities led to an increase in families with duru expenditures but no duru income, from 26% in 2010 to 40% in 2020. It is necessary to develop a structure in which participants can discover and play roles within the local community, not just remain as beneficiaries.

The transactional concentration within the Mindlle Health Welfare Social Cooperative and Dure Pharmacy presents an additional challenge. While these medical services significantly enhance member engagement and retention, their dominance is problematic within the LETS model, which thrives on a well-distributed network for system stability (Ryu & Choi, 2003).

Concurrently, the establishment of Sejong Special Self-Governing City in 2012 in a neighboring region has led to a demographic shift, with a notable exodus of the economically active younger generation. This shift has hastened the aging population and rise in single-person households within the HanbatLETS catchment area (Daejeon Metropolitan City, 2022). It underscores the urgency of developing community-centric activities and transactions that engage diverse demographics, including the youth, elderly, and single individuals.

(3) Qualitative Possibility of Activities

Conversely, there has been a qualitative transformation in the nature of activities.

The first point to note is the trend among members. As shown in Figure 4, the number of members either increases slowly or remains constant. This is because HanbatLETS systematically removes members who fail to pay monthly dues, ensuring that those who retain their membership are consistently fulfilling their financial obligations. It is unlikely for anyone to continue paying annual dues of 120,000 KRW without any intention to engage in future activities. Thus, the trend of maintaining membership, irrespective of transaction activity, suggests a high settlement rate within HanbatLETS.

The second point is the high utilization rate of duru. Although the minimum required usage rate for duru is set between 20-30%, the actual utilization rate had already reached 44% by 2007 and climbed to 60% by 2020. If participants are motivated by profit or if they have doubts about the reliability of HanbatLETS, they might limit their acquisition of duru to ensure they can exit at any time and focus on transactions that maximize their earnings in KRW. However, the actual situation has been quite the opposite. Thus, even though there has been a reduction in the volume of transactions, the rising duru usage rate suggests an enhancement in the quality of transactions.

The third aspect is the development of relationships. Initially, the system faced a challenge where it existed, but transactions were absent (Park, 2001). Unlike market transactions, the exchange of community currency necessitates identifiable information, matching, and reporting, making anonymous trades challenging. To overcome this,

HanbatLETS introduced community kitchens, flea markets, yoga, and health classes, among others, as avenues for participants to build relationships. These activities facilitated additional transactions, underscoring the importance of relationship-building in activating community currency transactions (Kim, S. 2019a, pp. 145-147). Furthermore, when examining the transactions within HanbatLETS, activities such as making cotton masks in response to COVID-19 and making kimchi together every winter are notable (HanbatLETS, n.d.). These actions create special transactions during specific periods and establish transactions that align with the cultural characteristics of Korea.

When discussing areas of qualitative enhancement beyond quantitative metrics, HanbatLETS' initiatives underscore the potential of a social economy outside the capitalist framework, highlighting the revitalization of community-specific concerns that neither the market nor the state could adequately address. The following analysis will delve into post-capitalist activities and community projects that embody the essence of HanbatLETS.

4.3 Post-capitalist activities of HanbatLETS

(1) Connectivity

In a capitalist framework, the market for consumer goods and labor typically results in a class relationship between capitalists and workers, or a flat relationship between producers and consumers, limiting the formation of alternative relationships. Nishibe (2016, pp. 300-301) further argues that forming local communities becomes challenging under capitalism as globalization and deindustrialization advance. To establish a "Connection" with "others" (Deleuze & Guattari, 1987), it is essential to focus on community currencies that facilitate "activation of the community" (Nishibe, 2016, p. 289) through a "horizontal network" (Yuki, 2020, p. 40). Moreover, Karatani (2000) suggests that to oppose the movement of capital accumulation, it is necessary to prevent the production and realization of surplus value by capital. Hence, non-capitalist activities can be sustained through the use of community currency in this context.

Members of HanbatLETS have shared that their involvement in community currency activities has led to the formation of diverse human relationships, enriching various aspects of their lives beyond mere market transactions⁸. They have noticed an uptick in mutual aid through means other than HanbatLETS, highlighting the potential for relationships that transcend traditional market exchanges. The possibility of non-market relationships, of shifting from market transactions mediated by money to anti-market transactions mediated by community currency, and finally expanding to mutual aid, was shown. Therefore, immediate/micro/practical attempts that do not regress to the metadiscourse required by socialist theory of the past are possible. In the context of post-capitalist analysis, the measure of success for CCs lies not in the expansion of transaction amounts, but in the broadening of non-market interactions.

(2) Organization

In the context of capitalism, declining regions lack incentives for business activities as companies prioritize profit maximization. This leads to a deepening shortage of goods and services essential for local communities, exacerbating the crisis of local extinction in alignment with capitalist principles (Okada, 2023). Without production bases for social reproduction to consistently supply necessary goods and services, relying solely on distribution mechanisms like local money is insufficient.

Kim, who oversees auditing at HanbatLETS following its establishment and significant efforts, argues that defining community currency merely as a payment method specific to an area does not offer a solution to local extinction. He emphasizes that the underlying issue is the absence of essential goods and services within the community. Therefore, HanbatLETS aims to directly provide these goods and services to residents (Kim, S., 2019b, p. 96).

Over two decades, HanbatLETS has demonstrated that its activities must go beyond issuing and distributing community currencies. Initially facilitating direct connections between producers and members, it evolved to organize the provision of necessary goods to local residents. HanbatLETS's twenty years of activity, with a high level of understanding in this area, show that activities must extend beyond issuance/distribution of local currencies. Initially, they directly connected producers and members, but later they tried to organize to provide necessary goods to local residents.

The substantial transaction volume observed at the Mindlle Health Welfare Social Cooperative, as previously mentioned, is attributed to its establishment in 2002. This initiative was launched following a meeting in 2001, where eight members of HanbatLETS gathered to establish a medical cooperative. At the time of its founding, 150 out of the 303 union members were from HanbatLETS. Furthermore, HanbatLETS was instrumental in establishing the Peace Flower School in 2004, an initiative led by its members to create an alternative educational institution (HanbatLETS, 2020). Additionally, the Pumasi Consumer Cooperative, which focuses on local food and was founded in 2012, was inspired either directly or indirectly by HanbatLETS. This cooperative has since grown to encompass a membership of 15,000 (Kim, S., 2019a, p. 153).

This trajectory illustrates HanbatLETS's capacity to organize essential medical, educational, and food services for the community, moving from distribution to production.

(3) Persistence

The known limitations of LETS include the increased office/management work and system maintenance costs due to the central registration method, which scales up with the expansion of transaction scale, as opposed to traditional paper money systems (Buick, 2011). Another issue is that paper notes allow non-members to engage in transactions and potentially lead to membership registration, whereas LETS requires prior membership, creating barriers to participation (Collom, 2005, p. 1568). Additionally, the complexity of transactions in the account registration method results in a lower participation rate among local stores compared to the paper money method (North, 2010, p. 103).

Despite these challenges, HanbatLETS has managed to steadily grow its membership and operate within a limited fund, overcoming the inherent limitations of the LETS system through its long period of activity. Specifically, HanbatLETS has utilized a mixed payment system, enabling the measurement of value function by referring to money value, and has seen the usage rate of *duru* reach 60% through the improvement of qualitative transaction contents; this has expanded the scope of transactions possible using only *duru*. These developments indicate that HanbatLETS has successfully addressed the inherent limitations of the LETS system and is maximizing its advantages.

The discontinuation rate of CCs in Japan is notably high, with about 40% ceasing within two years and over 80% within ten years (Izumi & Nakazato, 2017, pp. 47-48), and 95% of the world's CCs are expected to disappear (Lietaer, 2001, p. 27); thus, an active period of 20 years, as seen with HanbatLETS, is exceptional. Furthermore, the high settlement rate among HanbatLETS members is a significant advantage, and while the total membership has only gradually increased, the proportion of members active for more than six years rose from 53% in 2015 to 80% in 2020. This high persistence and settlement rate lay the groundwork for new connections and organizational growth.

These activities underscore the post-capitalist potential of HanbatLETS and highlight the unique characteristics of community projects.

5. CONCLUSION

In this paper, focusing on Korean examples, we explored local money as public projects in Chapter 3 and HanbatLETS as a community project in Chapter 4.

Local money, issued as public projects, does not rely on cooperative credit but on direct issuance of money. Although bound by regional limitations, the definition of the region pertains more to administrative units than to community units. While it encourages final consumption within the region and prioritizes welfare benefits and support for the self-employed, it serves merely as an auxiliary means of purchasing power. Its ripple effects are confined to the distribution area, with negligible impact on stimulating local production. There is no direct incentive for organization within the production area, making it unsuitable for systems designed for self-sustaining regional circulation. Though economic stimulus effects at the national level are acknowledged, the effectiveness for regional economic revitalization remains questionable.

The potential for varied applications through a mix of cash and in-kind benefits is recognized, including for disaster relief, temporary industrial subsidies, and discussions on universal basic income. However, these applications stray from the concepts of local circulation and reproduction inherent in CCs, highlighting a significant oversight in the design of local money as public projects. It is important to acknowledge that local money, when implemented as public projects, overlooks the unique opportunities offered by CCs.

Conversely, HanbatLETS represents a community project with distinct quantitative limitations compared to local money. Notably, it has managed to facilitate steady transactions and foster relationships among members over a long period. Community currency extends beyond a mere payment method in the distribution area, organizing the production area to create goods and services essential for the region (Yuki, 2020, 2022). Activities are organized around local reproduction rather than temporary economic stimulus, showcasing HanbatLETS' substantial post-capitalist potential by reducing reliance on market supply-demand relations and state public assistance, thus enhancing the community's unique relational possibilities.

The core argument of this study is the contrast between public projects of local money, which are limited to the distribution area, and the community project HanbatLETS, which has expanded from the distribution to the production area in Korea. For overcoming local extinction and promoting local circulation and reproduction, organizing activities that extend to the production area, beyond mere payment and distribution methods, is crucial for CCs.

This research highlighted the ripple effects of CCs, differentiating between distribution and production areas, and distinguishing between public and community projects. However, it did not explore the potential for a policy mix or whether activities of local money could extend into the production areas. Additionally, it focused solely on HanbatLETS for analyzing the concept of community currency, not reviewing the broader spectrum of community projects.

Furthermore, since 2020, there has been a significant reduction in community currency activities, such as those of HanbatLETS in Korea. It remains uncertain whether this decline is attributable to the expansion of local money or the reduction in face-to-face activities due to COVID-19. As the pandemic recedes, it becomes crucial to empirically analyze the impact of local money on community currency, setting aside the influence of COVID-19⁹. These limitations will be addressed in future studies.

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ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to Professor Tsuyoshi Yuki of Saitama University and Professor Hideto Akashi of Komazawa University for their invaluable guidance in the completion of this paper. Although their insights were taken into consideration, I remain responsible for any errors or inaccuracies found in this paper. I am also thankful to the officials and members of HanbatLETS who agreed to be interviewed, as well as to the reviewers for their constructive comments.

NOTES

¹ The official name of local money issued by the central and local governments in Korea is "Local Love Gift Certificates", but they are generally called local money.

² According to the OECD, the self-employment rates in 2022 were 21.5% in Italy, 13.1% in France, 9.6% in Japan, 8.7% in Germany, and 6.6% in the United States (in 2021).

³ According to OECD, from the time Japan introduced local money in 1999 up until 2022, the average savings rate for Korea was about 16.3%, compared to Japan's rate of approximately 4.6%. This shows that during this period, Korea consistently maintained a higher savings rate than Japan.

⁴ According to OECD data, the social expenditure as a percentage of GDP in Korea has steadily increased over the years: from 2.6% in 1990, to 4.4% in 2000, 7.9% in 2010, and reached 14.8% by 2021. However, in comparison, the

same figure for 2021 stood at 32.7% in France, 30.7% in Italy, 27.6% in Germany, 24.9% in Japan (for 2020), 22.7% in the United States, 22.1% in the UK, and an OECD average of 22.0% in GDP.

⁵ For background on CCs emerging from the perspective of welfare, refer to Miyazaki & Kurita (2018).

⁶ Below, all transaction data and information about the system for HanbatLETS are referenced from HanbatLETS (2002, 2004-2021).

⁷ Content from the interview with the HanbatLETS Secretary-General on November 2, 2020.

⁸ Content from interviews conducted with HanbatLETS members on November 2, 2020.

⁹ According to a survey of 1,500 users of local money, 77.3% of respondents endorsed the idea of implementing a “community currency” system within the local money structure. This system would incentivize social activities like volunteering, donations, talent sharing, and goods trading by rewarding them with local money (Lee, K., 2020). This suggests a need to investigate the possibilities for collaborative growth between public and community projects.