Complementary Currencies: The Hungarian Example

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1. Introduction

The current challenges facing Central Europe are of a social, environmental, cultural and economic substance. Methods to address these challenges can be categorized as top-down approaches, where the initiative comes from the central level, mostly government, and bottom-up approaches emerging within communities at the grass-root level (Tsikota, 2011). Besides the conventional money system, around the world there are ongoing alternative money systems. Efforts to find a solution to solve social, economic, or environmental problem appears to be the joint stimulus underpinning the awareness of the issue. This has resulted in initiating a number of alternative money systems (Seyfang & Longhurst, 2012). There are various regional developments and a range of new models emerging (*Complementary Currency Resource Center*, n.d.).

This chapter introduces complementary currency systems, taking into consideration the central european context and presents a case study about the Hungarian initiative Kékfrank. The structure of this text is designed to provide a broader information digest in the field of alternative money system complements, which is gradually narrowed to the subject of complementary currencies and the central european context. To outline the structure of the chapter, it proceeds as follows: a theoretical frame – the topic of alternative regional complementary currency systems and the central european context are introduced. The theoretical section is followed by the empirical section consisting of a case study about "Soproni Kékfrank", including its history, development, the context of the origin of the Ha-Mi Összefogunk cooperative that organizes its operation, and the role of European Union legislation in the process of the cooperative establishment.

2. Methods

The paper is based on an in-depth investigation of multiple sources. For the theoretical section, the descriptive approach has been chosen and the method applied is the literature and academic sources survey. The empirical part, consisting of a case study of the Hungarian complementary currency Kékfrank, is based on documentary analysis, direct observations, questionnaires and interviews with 6 key informants. The respondents have been chosen by the "snowball technique", starting from the Ha-Mi cooperative Management board representatives who later suggested other cooperative members. The main research questions are formulated as follows: Was the Kékfrank complementary currency chosen as a suitable tool for boosting the local economy? Does it bring the expected results?

3. Alternative money systems

Economists, politicians, sociologists, and philosophers look at the question of alternative money systems from various perspectives (Gessel, 1906; Ruskin 1985; Douthwaite, 1996, 1999; Johanisová 2005, 2008; North, 2010). Also, the consequences of their development vary from case to case so there is a growing range of different kinds of projects and experiments. There is diffusion in the field of classification and a lack of clarity and consensus amongst researchers, in terminology, types and purposes of the systems (DeMeulenaere, 1998, 2006, 2007; Lietaer & Hallsmith, 2011; Martignoni, 2012; Tsikota, 2011; *Complementary Currency Research Group*, n.d.). Alternative money systems include: the community exchange networks; interest free banking; interest free money; service credits and complementary currencies. Rather than replacing the conventional money system, these systems mostly aim to co-function with it and serve as its complements. According to Tsikota, there are no clear boundaries and different systems might inter-connect: "e.g. exchange systems may operate with the help of complementary currency; Time Banking units are complementary currencies themselves, and so on" (Tsikota, 2011, p. 7).

3.1. Community exchange networks

Community exchange networks are socio-economic systems of exchanging goods and services that encourage mutual aid, reciprocity and self-reliance. There are several examples of projects worldwide: self-help groups encouraging people to work together; barter groups; producer and consumer cooperatives, and local exchange trading system (LETS) (DeMeulenaere, 2002).

3.1.1. Barter networks Barter is assumed to be the original form of economic exchange. The Oxford Dictionary of Economics defines the barter economy as: "an economy, in which goods are directly exchanged for other goods without the use of a medium of exchange" (Black, Hashimzade, & Myles, 2009, p. 30). The beginnings of the contemporary reciprocal barter networks (or "barter rings") date back to the early 20th century when the economic circle Swiss Wirtschaftsring (WIR) was established. It was later brought under the Swiss banking laws that required its reorganization. Its operation nowadays is based on using electronic money that is pegged to the Swiss Franc at a 1:1 rate. A wide range of goods and services exchanged includes house-painting, legal services, hotel stays or used cars. The offers are posted online and in the WIR publications (Stodder, 2009). To assure limitation of the circulation to the members only, WIR-credit is not convertible to Swiss Francs but backed by the goods and services of the participating companies (Tsikota, 2011).

The WIR project had a stabilizing impact on the economy during economic recessions (DeMeulenaere, 1998; Stodder, 2005). The system operates up to the present day (*WIR Bank*, 2014) and "still remains the largest organization of its kind" (Tsikota, 2011, p. 9). There are also other strong associations of regional barter rings functioning worldwide. Experience shows that internally-driven asset-based developments have positive effects on macroeconomic stabilization (DeMeulenaere, 2003).

3.1.2. Local Exchange Trading Systems The LETS was designed by Michael Linton in Canadian British Columbia in 1982 (DeMeulenaere, 1998). He introduced a local currency, the "Green Dollar", pegged to the Canadian Dollar at 1:1, and published a LETS manual to set up local currencies which eliminates interest operating to exchange goods and services. The field of the system itself is defined from three underlying considerations (DeMeulenaere, 1998):

1) Community – referring to a finite group of people.

2) Personal considerations – referring to the personal commitment of the participants and a non-third party control over the money issued.

3) Practical considerations – tying the currency to the national currency as a unit of measure. The principle of "no interest – no commission" is one of the most important features of LETS, meaning that: "no interest is charged, nor paid, on either positive or negative balances" (DeMeulenaere, 1998, p. 56).

LETS are usually based on special cheque books the members are issued to record the payments in and out of each member's account. LETS operate their own computer-based cheque clearing system (Douthwaite, 1996). Besides their economic purposes, Tsikota (2011) mentions their explicit ethical dimension. In addition, LETS serve social purposes as well (Douthwaite, 1996).

3.2. Service credits

Similar to LETS, service credits are another kind of system based on local currencies which eliminate interest and endeavor to strengthen the community. The most commonly known service credit systems are "time banks", although not all the service credit projects are registered in the international

Time Banking network (Seyfang & Longhurst, 2012, p. 11). In this subchapter both terms are understood to be the same.

As Douthwaite points out, the difference between time banks and LETS is that LETS works well in a region or amongst a social group where "underemployment and an inadequate supply of national currency" is present (Douthwaite 1996, p. 19). LETS focus on the local economy and provide opportunities for local traders to strengthen their position on the market. Time banks, on the other hand, focus on social objectives; they "offer an innovatory way in which people can participate in society both as givers and receivers of services" (Miller, 2008, p. 20). The strong social dimension is essential: time banks aim to build social capital[1] and combat the social exclusion of individuals (Naughton-Doe, 2011) as they often serve as a safety net for disadvantaged people while offering an alternative way to "earn both services and respect within their local areas" (Miller, 2008, p. 19).

Time banks originated in Japan in the 1970s and the most diverse examples emerged there. Systems operate on a system of the "hour" principle where each hour equals "an hour of any person's time, no matter what service they provide" (Cahn, 2001, p. 1). For every hour members give services to others, they receive an hour of service in return. Time is thus an asset which people can trade. This form of complementary currency is referred to as a "time credit" or an "hour's credit". Members can use credits they earn immediately by banking them for future use or donate for use by other individuals. Many groups operate by using the internet to record the hours members give or receive, what services people can offer or need, and to match up participants (Miller, 2008). Common areas where time banking is applied are welfare and educational services. "The most established form of time banking is the 'person to person' model based on individual exchanges in a community" (Naughton-Doe, 2011, p. 73). Another form is the person-to-agency model where individuals earn credits through a direct engagement with community groups, local agencies or public services. "In this model, time bank members receive a physical time credit note which is then used to access services or trips funded using existing resources and spare capacity" (Naughton-Doe, 2011, p. 74).

1 According to Molly Scott Cato, social capital represents "social networks of trust that can support economic activity", i.e. social capital is "a measure of the levels of trust within a community or society" (2011, p. 242, 245). Cahn mentions various areas time banks generate social capital – by mobilizing consumer input, client input, student input, patient input, tenant input, community input, citizen input, etc. (Cahn, 2001).

3.3. Interest-free banking

The idea of charging interest is strictly opposed to various religious beliefs. For example, until the 1830s the Roman Catholic Church condemned the making of profit from interest (Douthwaite, 1996) and remains opposed to usurious interest. Islamic law, "sharia", to this day explicitly prohibits either charging or paying interest (Firoz, 2006). Muslim economists have been trying to develop a system where the payment of interest is rejected because of the "basic injustice of transactions in which the borrower has to return more than he or she received" (Douthwaite, 1996, p. 166). This ban on interest in Islamic financial management, however, does not mean that capital does not earn profit. It is instead recognized as a factor of production. The capital lender is not allowed to claim on the borrower's future profits, however, "profit-sharing" is offered as a viable alternative. The difference is that "with interest it is the rate of return that is predetermined, whereas with profit-sharing, it is the ratio that is predetermined, with the lender linked to the borrower in case of loss" (DeMeulenaere, 1998, p. 19).

The origins of modern interest-free finance systems are closely linked to the tradition of credit unions. Established to combat usury in 1849, the first credit union was founded in German Rhineland by Friedrich Raiffeisen, the local mayor. Pat Conaty and Mike Lewis explain: "farmers were losing their cattle to lenders and having to sell their land to settle debts", so a savings and lending cooperative was set up as a solution; "as with other co-operatives, a savings dividend acted as the members' incentive to save. This experience formed the model for the international credit union movement" (Conaty & Lewis, 2009, p. 53).

3.4. Interest-free money

Modern interest-free money has been outlined by Silvio Gessel (1906). The underlying principle is the use of money as a means of exchange and not as a unit of which possession is an advantage, i.e. money should not be preferred to goods either by the seller or the purchaser. Commodities can only be exchanged when people are indifferent to whether they possess goods or money: "only if money has equally disagreeable, loss-involving properties can it affect exchange rapidly, securely and cheaply" (Gessel, 1906, p. 143). He proposes a system of so called *Free-Money.* Basically, money will lose its value[2] unless the owners attach a currency stamp to them. It is a kind of a depreciation fee to validate the note after a given date of its expiry. This pre-planned and regular reduction of the currency value is often referred

[2] "Free-Money loses one thousandth of its face value weekly, or about 5 % annually, at the expense of the holder" (Gessel, 1906, p. 146).

to as *demurrage*. The basis of the system proposed by Gessel is freeing money from interest and accelerating monetary circulation (Blanc, 1998, p. 469).

The concept was put into practice in Germany shortly before the Great Depression in the 1930s. The experiment of *Wära*[3] in the Bavarian town of Schwanenkirchen resulted in decreasing unemployment and encouraged money circulation. However, it became subject to the new law banning local currencies within Germany in 1931. Nevertheless, it inspired other European initiatives. This included Lothar Meinl's proposal in Czechoslovakia (which was also banned shortly thereafter) and an Austrian experiment in which its aims brought expected results (Votruba, 2103). Michael Unterguggenberger, the mayor of a small Austrian town of Wörgl in Tyrol, was an enthusiastic supporter of Gessel's model. He applied the Free-Money system based on circulation stamped notes, so called "work certificates". They were backed by an equivalent amount of schillings in the bank. They were put into circulation by the municipal office, which partially paid the employees' salaries in this stamped money (Blanc, 2006). Every month, a stamp costing one percent of the note's value had to be glued to it to keep its value. It was an era of decreasing employment rates throughout Europe; whereas, the town of Wörgl managed to reduce the unemployment rate by 25 % within a year. The town's income from local taxes rose as well and the amount gained was used solely for public purposes so no single individual could profit from the system but the community as whole. However, the printing of local currencies was prohibited by the Austrian National Bank when 130 more communities wanted to adapt the model and its monopoly position in money issuing would be endangered. (Kennedy, n.d.; Douthwaite, 1996, 2002; Votruba, 2013) Similarly, two little towns in France, Lignières-en-Berry and Marens, set up stamped money in the 1950s but their founders decided to finish the experiments before the government ban (Arkel & Peterse, 1998; Blanc, 2006).

3.5. Complementary currencies

Many initiatives based on the systems mentioned are based on some kind of local, community or complementary currency. They are designed to fulfill one of the prime monetary functions – they serve as mediums of exchange. In this respect they aim to increase the availability of money as such more than use the money in speculations (Lietaer, Ulanowicz, & Goerner, 2009).

To date, well over 5,000 complementary currency systems have been established worldwide ranging from small neighbourhood exchange circles to large-scale systems (Martignoni, 2012).

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[3] The term "*Wära*" is from German, meaning *Ware* (commodity) and *Währung* (circulation) (Blanc, 2006, p. 12).

The major distinctive features of complementary currency systems are: their civil society implementation, geographical bounding, democratic operation, citizen engagement, and intention to redefine money in a participative process (Blanc, 2011, p. 6).

These systems usually aim to encourage consumers and businesses to alter their behaviour or to integrate time and real sources into a complementary currencies' scale. They are "expressly designed to link unused resources with unmet needs within a community, region or country" (Lietaer *et al.*, 2009, p. 2). The main purposes of establishing a complementary currency system include: promoting local economic development; building social capital; nurturing more sustainable lifestyles and meeting the needs that mainstream money does not (*International Journal of Community Currency Research*, n.d.).

Complementary currency systems do not substitute the national currencies; the business transaction parties, though, can mutually agree on another payment form. So, as long as complementary currencies meet certain requirements they are legal. The legality issues include counting them for tax purposes when earned by businesses. Also, the medium used as a currency (or voucher) is not allowed to resemble the national currency (Fontinelle, 2011).

4. Central european context

As explained in previous chapters, central european countries have a relatively well known history of alternative money systems (e.g. credit unions in Germany, Bavarian Schwanenkirchen, and Austrian Wörgl). The contemporary development is tied to the political and socio-economic conditions. According to Jelínek, Szalay and Konečný (2011), central european countries (specifically the Visegrad countries) have a short experience with democracy and civil society and there is relatively lower income inequality. The process of transition to a market economy was different in these countries, but had the same historical background. When these countries experienced socialism under Soviet influence, it led to a common attitude towards their civil societies. These were a lack of motivation and power, and subsequently a lower vitality of organized alternative economic systems. "Economies in real socialism were based on other conditions than were those appearing in Western European countries [...] economic alternatives never emerged in Visegrad countries until after communism was at an end. Organized groups bringing decentralized local economic systems came into being after 1989" (Jelínek *et al.*, 2011, p. 121). These countries have a short experience with democratic civil society and so the organized alternative economic systems do not manage to involve wide populations, in contrary to successful examples in Western European countries (Jelínek *et al.*, 2011, p. 121).

5. Hungarian experience

In spite of the above mentioned lack of experience with democracy and low civil society engagement, alternative economic initiatives have also developed in central european countries. The next part of the chapter introduces the Hungarian experience with economic localization.

After the transition period between the years 1989–1998, when the country's centrally planned economy became a free market, most of Hungary's past state-owned companies ceased trading. This resulted in a decline in the Hungarian economy. The unemployment rates increased and the country became more reliant on imports. One of the consequences was the growing market share of retail chains that subsequently influenced the local retailers (Griffith, 2011). The situation encouraged the emergence of a wide theoretical movement focused on economic localization (Szalay, 2011a).

5.1. Green money circles The idea of mutual aid support within communities is not new in Hungary. A so called *Kaláka* civil society scheme had been practiced for centuries. Its basic principle was that the local community members helped each other: "Houses would be built, new families set on their life journeys, children would be looked after, and crops gathered in through complex reciprocal arrangements, often based on blood ties" (North, 2004, p. 25). The help was usually also a social event within a group of fellows. Based on commitment, community members, who have helped, could address those who received their support in the past and ask for help in return (*Magyar Néprajzi Lexikon*, n.d.).

At the beginning of the 1990s, the issue of local money was raised by Hungarian environmentalists. They had concerns about the market-based economy, which influenced local communities in a negative way and the decline of mutual aid mechanisms, cooperative house building and entrepreneurial economy's activities (North, 2007). To enhance and develop local economies they came up with local money experiments based on experience from the rest of the world, and on traditional Hungarian community support mechanisms like Kaláka. Setting up the *Budapest Talentum* and the *Gödöllő Talentum* systems of community currencies was the first instance of new development. These systems represent what is defined by North as "green money circles"[4] (North, 2004). The Hungarian LETS networks are usually organized by green activists who share a commitment to build sustain-

4 North explains the scheme: "The green money circles use community created currencies. They are based on trading within a closed network whose members mutually agree to accept from each other a form of currency they created and give value to. Goods and services that members supply and demand are listed in a directory" (North, 2004, p. 26).

able local economies and emphasize the role of community and mutual aid (North, 2004).

The growth of Budapest Talentum and the Gödöllő scheme was slow and steady. Subsequently new green money systems began to emerge. Their main sources of inspiration were the Austrian Talentum schemes[5] and the UK experience with LETS. Also, some developed through an East-West co-operation between the UK and Hungary in the green money circles (*Kör*)[6] in the towns of Pécs, Szolnok, Miskolc, in the village of Tiszalúc near Miskolc, and in Budapest.

According to North's research the most successful Hungarian green money circle is the Budapest Talentum system. It was established in 1994 by a small group of 102 enthusiasts which reached 150 members by 2003 and 172 in 2006. The main items traded were basic services (e.g. gardening, computer work, window cleaning, babysitting). However, only a small part of these members was also actively trading (North, 2007).

The Szolnok Kör established in 1999 is considered to be another fairly successful project. Its membership quickly grew to approximately 50 members swapping between 500–600 "wants and offers" in the directory. The activities also included setting up a charity clothes shop. Another scheme was established in the small village of Bordány located in the south, near the city of Szeged, organized by a local telecottage[7] organizer who intended to reward the local volunteers. The Kör reached 76 members by 2003, mostly young people, who earned their units of exchange for activities like "writing articles for and distributing the local newspaper, setting out the chairs for the community cinema, distributing flyers for local businesses, helping run a youth summer camp, and looking after clients at the telecottage" (North, 2004, p. 26). The most demanded services were internet usage, photocopying, or playing computer games.

Out of the projects mentioned, Szolnok and Bordány initiatives together with Budapest Talentum survived at a small scale through to 2007 when North undertook his latest research in Hungary. The Gödöllő Talentum and Miskolc and Tiszalúc Kör projects were finished (North, 2004, 2007). Besides

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5 *Talentum* – with the motto: "Tauschen statt kaufen!" – meaning *exchanging instead of buying* – it is an addition to the conventional monetary system based on trading goods and services within an exchange group without using money. It is based on barter or time-vouchers (see http://www.tauschkreis.org/).

6 *KÖR* is the abbreviation of "Közösségi Önsegítő Rendszer" (Szendrő, 1999, p. 19) – meaning *community self-help scheme*. At the same time, the term "*kör*" itself means circle in Hungarian, so the word can be understood also as a circle where money circulates.

7 Telecottage – an information technology center in the rural areas, typically providing: "Internet connection, computers, scanners, fax services and the like to those likely to be excluded from the 'knowledge economy'" (North, 2007, p. 184).

the six circles mentioned, there were also other new systems and initiatives emerging. The number of active circles in the country is increasing; in 2011 there were 13 systems with individual websites, and more others exist without a web-presence (Jelínek *et al.*, 2011).

North explains the projects' perception by civil society: "For the environmentalists, Talentum was very much a civil society–based resistant institution, an alternative, non-capitalist market, while the NGOs saw Kör as a method of facilitating transition to the capitalist market by acting, much as Kaláka had, as a way of enabling the poorest to get by during transition" (2007, p. 108).

The challenges that Hungarian green money circles have to face, could be summarized as: a lack of credibility; different approaches to understanding the use of the mutual aid network; and also the members' needs not being fully met with the services offered (Jelínek *et al.*, 2011, p. 8). Szalay adds that at the present time there is a decreasing amount of transactions within the circles; partly because of a mismatch between supply and demand as most of the members are usually intellectuals not offering services that would be demanded, and also because of the fact that even though there was a willingness to participate in the system, their members lack free time (Jelínek *et al.*, 2011).

In 2007, an umbrella organization – KoronaCsereklub – was set up as the number of new green money circles was increasing. Aiming to protect local market and workplaces, it promoted regional self-sufficiency. The main objective was to create communities that would be self-regulated, sustainable and resilient, sharing a common goal of creating new economic behaviour. The main contribution of this organisation was the development of accounting software administered through the internet. Also, KoronaCsereklub has been providing information, assistance and mediated communication amongst the circles. This mainly supported the smaller circles and encouraged the emergence of new ones (Jelínek *et al.*, 2011).

Zagata focuses on the Hungarian position of a post-socialist country that carried specific conditions, such as mistrust in unknown things, erosion of traditional social networks and the lack of local leaders, etc. (Zagata, 2004, p. 483). According to Szalay, in Hungary people are becoming more aware of their own possibilities and opportunities to participate in the economic processes nowadays (Jelínek *et al.*, 2011).

5.2. Complementary currencies in Hungary

Hungary has to face number of challenges when introducing approaches to alternative currencies that work well in one environment but might struggle in another. According to North (2007), one specific problem connected with the status of a post-socialist country is civic engagement, which was discouraged before (North, 2007). However, Szalay mentions that people are becoming more motivated and well informed which is even fortified by the spread of the complementary currency concept in the literature together with corresponding theoretical developments, lectures and conferences (Jelínek *et al.*, 2011).

All of these raise awareness in this issue and currently there are three active complementary currencies listed in the *Online Database of Complementary Currencies Worldwide* (n.d.): namely the LETS of Szolnok; the Bakonyi CsereKör, and the Kékfrank. Recently, other complementary currency initiatives are being prepared at various stages of development.

6. Case study: The Soproni Kékfrank

Sopron is a quaint town in the Győr-Mosón-Sopron region. It is located near the western borders of Hungary with a population of more than 55 thousand inhabitants (Perkovátz, 2010). The socio-economic conditions of Sopron are in parallel with the situation of the country as a whole.

Historically, the Austro-Hungarian Empire was a monarchic union where both countries kept their territorial and financial independence. After World War I, most of the area of Burgenland where the town of Sopron belonged was attached to Austria (the town of Sopron remained Hungarian). After World War II, as a result of the Iron Curtain, a period of complete isolation occurred. During socialism, the residences located close to the western borderlines, to which Sopron belongs, received almost no development support and resources (Szalay, 2011a). The following period of the transition economy between 1989 and 1998 was important because of the change from a centrally planned economy.

6.1. Trade vouchers

In 1993 a system of cafeteria vouchers (also known as meal and vacation vouchers) was introduced in Hungary (Griffith, 2011). Principally, it is a form of tax deductible employee benefits. Trade vouchers for particular services are put into circulation by the issuing company, and for their payment there are incentives provided by state through imposing lower tax rates. The voucher issuers enter into a contract with companies providing merchandise or service to the consumers. The original transaction is not deemed as a commercial credit. Issuers' profits come from enabling the use of the vouchers' value as a capital resource between the day they are emitted and the day of their redemption by voucher holders (Griffith, 2011).

Concerning the Hungarian trade vouchers market structure, approximately 70 % of the total turnover is generated by large foreign owned companies (Helmeczi & Kóczán, 2011).

In 2007, a Soproni restaurant owner Tamás Perkovátz undertook a local distribution of allowances and introduced food, gift, and school vouchers accepted in his restaurants, as well as other places within the Sopron and municipalities around it. They were single-use commercial vouchers backed by goods named HAMI.[8] Perkovátz's main point was that the vouchers could only be accepted in Hungarian-owned restaurants and shops. "They were accepted in 60 to 70 municipalities and in Sopron at around 180 places" (Griffith, 2011, p. 8). This way, capital resources were created and local turnover increased (Szalay, 2011a). HAMI voucher system works up to the present.

Development of the voucher system was supported by local and national business leaders. Its introduction formed the basis for the new complementary currency in Sopron.

6.2. EU legislation

The European Cooperative Society (SCE)[9] is a legislative provision through which cooperatives are encouraged to engage in cross-border cooperation while taking into account their specific features. The legal form consists of two pieces of legislation: Council Regulation (EC) No. 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE); and Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees (*Statute for a European Cooperative Society*, 2011). The Member states were obliged to adopt the laws, regulations and administrative provisions necessary to comply with these acts and the Regulation establishing the SCE legal form began to apply. The SCEs could be created in EU Member states from August 18, 2006 (Council of the European Union, 2003a, 2003b).

The SCE legal form has been introduced to supplement the cooperatives' transnational activities (Stollt, n.d.). The reason it was introduced was to encourage collaboration amongst cooperatives throughout the EU through a form of an enterprise appearing as one legal entity which promotes cooperation across the countries' borders (Griffith, 2011). It is not meant to be an alternative form for cooperatives. A cross-border element is crucial to SCE establishment since the rationale behind its statute is the promotion and facilitation of the beyond border activities of cooperatives that operate in different member states (Stollt, n.d.). As the town of Sopron is located on the borders with Austria, and also from the historical point of view its regional ties go beyond national borders, the conditions to set up a cooperative organization with an SCE statute were accomplished.

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8 The name HAMI has dual connotations: "meaning 'tasty morsel' and also 'if-we' in Hungarian" (Szalay, 2011, p. 53).

9 SCE is the abbreviation of the Latin "Societas Cooperativa Europae" (Szalay, 2011a).

Another EU law to support Kékfrank's creation was the one through which the 2007/64/EC Payment Service Directive (European Parliament and Council of the European Union, 2007) was adopted into Hungarian national law. This legislation was important in the development of Kékfrank for two reasons: "Firstly it introduced a new form of enterprise, an institution offering payment service; secondly, it defined the payment instruments and services, that is, issuance and acceptance of complementary currencies" (Griffith, 2011, p. 8).[10]

All the EU legislative changes presented above were harmonized with Hungarian national law and thus enabled the establishment of the first Hungarian SCE, Ha-Mi Összefogunk.[11] Its main aim was the stimulation of the economy in Sopron and its environs through the usage of Kékfrank complementary currency in a cross-border setting, and to encourage the purchase of locally produced goods and services (Szalay, 2011a).

6.3. Ha-Mi cooperative

As already mentioned, rather than fighting poverty Ha-Mi Összefogunk was founded by the patriotic local community as a civil initiative. The main objective was to strengthen the cooperation amongst local businesses[12] in Sopron and revive the once organic socio-economic relationships by stimulating the regional economy and its related cross-border districts. Changing the consumer pattern to re-localize daily consumption expenses was intended to be achieved through a complementary currency system. The SCE legal basis enabled Ha-Mi's relatively independent self-governing operation (Szalay, 2011a; Tóth, 2011; Perkovátz, 2012). The process of the cooperative's development, its operation and organizational structure are explained below.

6.3.1. Development of the cooperative The project's core founders were István Nagy – an economist; Tamás Perkovátz – a local businessman; Károly Pirger – an IT specialist; and István Varga[13] – vice-president of the National Association of Hungarian taxpayers (Magyar Adófizetők Orszá-

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10 According to Szalay, "although the Hungarian legislation in accordance with the above described directive came into effect a little later than the founding of the HA-MI [...], it can be stated, that the change was to be expected, which helped the process of licensing" (Szalay, 2011a, p. 54).

11 Ha-Mi Összefogung means "If-We Unite" – not to be interchanged with HAMI cafeteria vouchers. However, the voucher system development formed the base for the Kékfrank introduction, which had been organized under the platform of the Ha-Mi cooperative, and the local business leaders founding the voucher system also founded this SCE.

12 As the founding document states, the local economy agents – enterprises and individuals – could operate in a comparatively less expensive way using complementary currency than would be available, and a sufficient exchange medium (Ha-Mi, 2009).

13 István Varga was also the first one to make a transaction using Kékfrank (Pirger, 2012).

gos Szövetségének) (Pirger, 2012). They needed a framework to achieve the goals stated. Their source of inspiration was the Swiss Wirtschaftsring. However, the system has a different basis and could not be applied to the Sopron project. Also, the German Chiemgauer and other complementary currency systems worldwide served as valuable inspiration sources for Ha-Mi establishment (Magas, 2012; Parraghné Gál, 2012; Perkovátz, 2012).

The cooperative legal basis had been chosen to follow democratic principles, and since the town of Sopron is a part of an agglomeration of present-day Austria, the SCE criteria were fulfilled. According to Tamás Perkovátz, the process was relatively simple since there were no legal obstacles (Perkovátz, 2012). The licensing procedure was accomplished with the support of local and national economic leaders and experts (Szalay, 2011a). The cooperative was founded by 123 members that were natural and legal persons who purchased the 385 shares, each worth 100 €. The SCE was thus founded with 38,500 € authorized capital, on the 29th November 2009, the day of the town's patron saint Mihály[14] (Parraghné Gál, 2012).

6.3.2. Organizational structure The number of the Ha-Mi members has currently risen to approximately 120 natural and 80 legal persons (Parraghné Gál, 2012; Perkovátz, 2012). Member status is acquired by purchasing a minimum of 1 and maximum of 40 shares. Furthermore, for acceptance of the Ha-Mi Összefogung statute, at least one existing cooperative member's recommendation and the approval of the Management Board representatives is needed (Perkovátz, 2009). The members then consent to use and accept Kékfrank as a complementary currency (Szalay, 2011a). The enterprise's organizational structure is democratic and all of its members, regardless of their share purchase, have an equal position and their vote has the same strength (Pirger, 2012).

6.4. Kékfrank complementary currency system

The Kékfrank complementary currency system was built upon the already operating system of single-use trade vouchers used amongst the Sopron regional restaurant and shop owners (Szalay, 2011a). Later, the same participating group around Tamás Perkovátz focused their activities to developing a system of a complementary currency. The system was set up and the first transaction took place on the 7th May 2010.

Concerning the currency naming, there is another dual connotation as Kékfrank (Kfr) is named after a wine variety Blaufränkisch which is

[14] According to tradition, on this day, shepherds drove from their free-range pastures to the corrals. Afterwards they paid tribute and gave thanks to Szt. Mihály (Saint Michael) for their success.

the region of western Hungary famous for, and at the same time could be translated as, blue franc.[15]

The currency support media are paper notes designed by Tamás Gerencsér (Ha-Mi Összefogunk [Ha-Mi], 2009). Similarly to the forint, the Kékfrank comes in 6 denominations and if coins are necessary, forints are used instead (Perkovátz, 2010). The historical figures with ties to the region are depicted on the notes: Franz Liszt, Joseph Haydn, Christopher Lackner, Kitaibel Paul, Paul Esterhazy and Pejacsevich Laszlo. All the notes were printed by the Hungarian Banknote Printing Ltd. (Magyar Pénzjegynyomda Rt.), the company that prints forints as well. They carry seven security features that include a watermark, individual serial number and ultra-violet colors (Szalay, 2011a). They are forint-based and can be acquired in the Rajka and Vicinity Credit Union branches, in localities in Sopron, and ordered through e-mail on the currency's websites.[16] Kékfrank's current operation is not limited by the currency's expiry or a form of demurrage, hence can be circulated freely (Pirger, 2012).

From the historical point of view, the Soproni regional ties go beyond the current national borders; it has connections to neighboring Austrian regions as well as to Croatia. This is why Kékfrank is a multilingual currency featuring a German and Croatian translation in addition to Hungarian.

6.4.1. Basic principles There is no need to accumulate the Kékfrank as it does not pay interest. Accordingly, its faster circulation is favorable in comparison to the interest paying forint. Concerning the local monetary policy regarding the Kékfrank, at its exchange a 2% redemption fee is charged. The currency is 100% backed by the forint and is pegged to it at 1:1 (1 forint equals 1 Kfr). The backing is saved at the Rajka and Vicinity Credit union. This amount pays interest at the Magyar Nemzeti Bank base level. The benefit is shared with the community and the first acquirer of a Kékfrank is at a ratio of 4:1. Only the first owner is entitled to receive interest. When receiving Kékfrank from someone else through a transac-

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15 According to Aladár Stolmár, a nuclear engineer who has links to the Soproni region, there is a legend behind the Kékfrankos wine variety name:
"During the siege of Vienna, the Napoleonic troops made a longer stay in Hungary. With the help of this quality red wine variety the soldiers managed to forget the struggles of the military age. The local peasants quickly recognized that French soldiers use two kinds of money: the military money – white francs – that Napoleon issued to pay for war expenses; and blue francs – the official French currency, carrying a higher value. So, vintners sold their best wines only for blue money. The only sentence vintners told soldiers, when they were paying for wine, was: 'Frank blue'. Since that time it has been known as Kékfrankos, which is the literal translation of 'blue frank', and the 'os' suffix indicates that it can only be paid with the higher value monetary instrument" (Stolmár, 2012; see also Taschner, n.d.).

16 http://www.kekfrank.hu/

tion, no interest is received by the new owner. There are nearly 700 places where Kékfrank currency is accepted (Parraghné Gál, 2012). The users are encouraged to spend their money in local businesses, so the money stays in the region. Moreover, the local entrepreneurs' sales and turnover rises as it is more convenient for the complementary currency users and acceptors to conduct exchanges between each other (Ha-Mi, 2009; Szalay, 2011a; Pirger, 2012).

6.4.2. Successes and challenges Kékfrank is the first of its kind in Hungary. This is associated with an increasing interest in the topic of complementary currencies, and a rising number of systems emerging in the country. On the other hand, because of the lack of practical experience with establishing a complementary system some difficulties have appeared. The unknown bureaucracy behind launching and administrating the system was one of the biggest barriers. The challenge was how to incorporate the Ha-Mi principles into the SCE operation in accordance with the Hungarian legal system and EU norms. Moreover, in the EU and Hungarian legislation, complementary currency systems are legal, but some of the crucial issues are not covered in the legislation (Perkovátz, 2012). Most of these administrative problems have been resolved after long negotiations among the cooperative members (Perkovátz, 2012; Pirger, 2012).

According to Péter Nagy, the growing number of Kékfrank's places of acceptance, reaching almost 700, can also be considered a success (Nagy, 2012). This, however, does not correspond with the practical involvement of the Soproni people in the system. With regards to the perception of the system by the local community, the following problems have appeared: skepticism, the fear of the new, the lack of belief in the strength of local money and envy (Perkovátz, 2012; Pirger, 2012; Tölgyessy, 2012). The fact that the currency system has not attracted the people has been an unexpected barrier, because their active participation is the prerequisite for the system's successful operation. Zoltán Tölgyessy explains: "There is no strategy to convince them using Kékfrank. There is a lack of motivation from the side of public" (Tölgyessy, 2012). Even so, Kékfrank, to a certain point, has contributed to building Sopron's reputation and attracting visitors. Thus a big success seems to be an up-tick in the tourist industry (Pirger, 2012).

In short terms, the visions of the founders to keep money working and circulating locally have not been fulfilled yet. To achieve the goals, a long process is necessary. Therefore, it is not possible to see its direct outcomes yet (Pirger, 2012). Péter Nagy sees Kékfrank as a suitable tool for boosting the local economy, which partially brings expected results, but the project is still at the beginnings (2012). Melinda Parraghné Gál points out that the nearly 700 places of Kékfrank acceptance could already be considered as a major achievement. But still, its scale of circulation has not reached the expected volumes (Parraghné Gál, 2012). Tamás Perkovátz points to the fact that the complementary currency is a tool, rather than a goal (2012).

In the wider perspective of not only the project itself, but also the message it carries has various consequences. Its educational dimension is considerable, because it brings attention to the role of money in society and consequences of its use. The emphasis is put on the importance of being conscious of where money flows.

7. Summary

The challenges Central Europe currently faces have various ways to be addressed. One of the examples to address those of economic substance is the implementation of alternative systems functioning along the national economics through introduction of complementary currencies. These systems are designed to fulfill one of the prime monetary functions: a medium of exchange. Complementary currencies aim to increase the availability of money as such more than use money in speculations. The biggest distinction between complementary systems and conventional currencies lies in the fact that people cannot use the money anywhere they want. This implies keeping them inside a closed circle, which can be a region or a specific business sector. According to Blanc, the main features include: civil society implementation, geographical bounding, democratic operation, citizen engagement and the intention to redefine money in a participative process (2011). The post-communist countries of Central Europe share specific socio-economic conditions with their young civil societies, and possessing shorter, novel experience with capitalism. Initiatives emerging here learn from successful examples worldwide, share ideas, but need to identify and consider local characteristics, ideas and social needs. From this socio-economic context a complementary currency Kékfrank has originated in the Hungarian town of Sopron. The legal basis is provided by the Ha-Mi cooperative, which is a civil initiative of the patriotic local community. The members aim to change consumer patterns of the inhabitants and to re-localize daily consumption expenses to the region. They introduced a complementary currency system, the Kékfrank, that has a clear territorial scope, is of a community and economic nature as it is linking local production to local consumption, it encourages the inclusion of local businesses and is co-used and convertible with forints. As regards the system's direct benefits that its members expected, they are not fully achieved by now. The currency is widely known among the public, but the amount in circulation has not reached the expectations of the founders yet. In Hungary, the Kékfrank is the first complementary currency of its kind.

For many aspects of its operation there was insufficient legislation and no example to follow. However, since Kékfrank has been set up, other initiatives have started to emerge.

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