

Multi-currency system (Local government currency)

In modern nations, one-country one-currency system is established. Other currencies are excluded. The exchanges without money are considered irregular.

In order to produce and distribute large quantities of goods and services efficiently, only one kind of currency should be circulated as widely and freely as possible in a country. The national currency system consolidates domestic market, collects people's savings to form huge capital market, manages import and export through foreign exchange system to protect unskilled domestic industries, and contributes greatly to the increase in production.

Under common currency, most efficiently produced goods (and services) apt to dominate the domestic market.

This means that while consumers can acquire goods cheaply, a small number of companies (and thus regions) will eventually sweep every corner of the national market and eliminate rivals. Outside of winner regions, the industries that produce the goods will be gone, and the jobs engaged in them will also be lost. The education, managerial know-how, and relationships of local communities cultivated through the production of the goods will also be lost.

In addition, companies that seek to enter such market must compete on the same playing field to the giant companies from the beginning, and are not given the time for the growth that these giant companies have enjoyed before they become so.

As we know, censorship is absolutely prohibited in democratic country because any thought should not be sorted out from the budding stage.

It will be also necessary to foster new economic activities (for example activities for sustainable economic) and companies in cradle-like markets to survive, instead of throwing new comers into open and severe competitive markets from the beginning.

Gandy was spinning yarn wheel not only to show his resistance by boycotting textiles exported from the UK, but to rebuild the local economy by using what was produced in neighbor.

At present, the amount of money used for global investments and loans (money games) is more than 10 times that used for the real economy, but its existence is meaningless for main economic activities (production and distribution of goods and services). A lot of money is saved in the bank and the enterprise more than necessary within the curse of "It must be able to bear fruits by investment or loan" and the reality of lack of hopeful investment destination.

Sometimes such money even get in the way of main economics.

For example, even if the government implements monetary easing measures such as low interest rate policies to promote exports and stimulate the domestic economy, the yen's depreciation will be induced if speculators run into "dollar-selling yen-buying" to buy Japanese stocks and real estates with presuppose of economic recovery of Japan. When Japanese economy booms again, price of stocks and real estates rise. Speculators make money by selling Japanese stocks and real estate, while businessmen and the general public are made to pay extra.

Speculation can also make price fluctuations more intense.

To control speculative activities, for example, exchange fees may increase progressively as the amount of money sent across borders increases. And it will do to change the segregated income taxation rate for the trading margin of stocks and real estates, and to list the transaction price and time in the register or shareholder registry to distinguish speculation from investment.

However, there is currently no way to limit speculation in general.

The method to mitigate money sticking in wealthy people is not limited to the redistribution of money from the wealthy to a lot of people.

The amount of money is the amount of money circulated. The more money transfers they make, the more money will be made. Bank credit creation is a well-known example, but if the exchange of goods among people becomes active, the circulation of money will increase. If one 10,000 yen bill was transferred only 10 times a year, it would only be 100,000 yen (used) for society as a whole, but if it was transferred 100 times, society as a whole would have had 1 million yen. Even when much of the money is possessed by a little number of wealthy people, there is no shortage of money if the rest of the money is used frequently among the rest of the people.

The use of a common currency makes trade overwhelmingly quick and secure. It also means that common currency in a certain region will make trading active in that region. Currency that circulates only within a region and is restricted from exchanging foreign currencies or base currency can also realize a regionally exclusive market protected from competition with outside of the region.

On the other hand, goods and services for personal demand often can be supplied from a relatively small area.

And many companies that provide goods and services for personal demand are struggling to survive. Because their customers are individuals who have a little money.

If we speed up the rate of circulation of money within a narrow region, we will support production and consumption in the region, as in monetary easing.

It will be more effective with money strengthened the character as the tool of exchange by prohibition of interest and dividend.

It is not so unusual to place some restrictions for use of money in emergency.

Withdrawal of deposits of old banknotes was limited and only new bills could be drawn within a certain limit under hyperinflation after World War II in Japan.

If diplomatic relations between countries change to bad, the exchange of currency of the countries may be closed.

Even if in ordinary times, remittances or exchanges of less than a certain amount will be refused.

Many countries' currencies are flying around the world under a world-wide exchange market. But on the contrary, we can decide the effective areas of each currency. Apples are apples in Japan and Alaska, but it can be natural that 10,000 yen bills in Japan are only one piece of paper in Alaska.

Circulation of currency that is prohibited from taking interest and dividends and in a region as a mechanism to increase the exchange of goods and services supplied by people living in the region without embargo of merchandise efficiently (cheaply) supplied from global market would not be an eccentric idea.

In the past, such currencies actually existed. They are called "local currency".

Silvio Gesell is famous as an advocate of local currencies, but even before him, there were many cases of non-national currencies issued to supplement the lack of base currencies (feudal tags in Japan, Bracteato coins in Europe, etc.).

But Gesell revealed a new function of local currency.

He stressed that subjects without political power can issue currency (Yamada Hagaki in Japan was precedent).

He preached the utility of limiting usable regions and negative interest (the bill decreases its value as time goes by) or prohibition of interest as a tool to promote the distribution of goods in the region and to revitalize the local economy.

Following Gesell's recommendations, local currencies were issued in various regions.

Social groups have levels such as districts (about 1,000 people), municipalities (~about 100,000 people), states (~1,000,000 people), and countries. And the distribution range of local currencies in the past had also varied.

For example, some can be used nationwide (foreign transactions cannot be made) (Via in Switzerland).

Some were used on a city scale to revitalize economic activity in the region (Vera in Germany after World War I, RGT in Argentina in the 1980s, etc.).

Some were used as aid in helping each other in narrower communities and had limited purchasing targets (Time dollar in USA, LETS in Canada).

Based on record, the last type had too narrow distribution range, insufficient type and quantity of goods and services to be exchanged, and had only a small impact on society.

The second type was distributed where base currency disappeared under capital flights or a critical national economy with extreme inflation, which helped the lives of people in the region. It also demonstrated that the speed of circulation of local currency exceeded that of base currency.

However, since the issuers were private organizations, they were eventually prohibited for disturbing the national monetary policy or randomly developed and forged by sloppy management. And there is nothing left until now. Modern governments monopolize the issuance of the base currency, have the central bank which is the foreign bureau determines the bank lending rate, and indirectly control the amount of credit creation of banks. This is a system that should be called governing infrastructure. Ignoring this too much could shake the modern national system. Second types could be abolished.

Strictly speaking, the first type of Via may not be a local currency, as it can be used throughout Switzerland, and there is no negative interest rate recommended in other local currencies (interest rate is simply 0 or low). However, since it is issued in conversion for base currency, there is little conflict with the base currency system. And since it is issued by banks, creditworthy is high. So it has been used stably from the 1930s to the present. It is said that the users of Via are limited to small and medium-sized companies, and it is useful for revitalizing them.

In many countries, currencies are issued in excessive quantities, and many of them are surrounded by rich people.

It is common to the time when local currencies were used so far that the amount of currency distributed among general public is small, and running out of place necessary for the re-production of the labor force.

There are two major benefits in circulation of local currency.

One is the "cooperation" function, so to speak.

When local currency is distributed, it reduce "import" from other regions (mainly industrialized urban areas) and force the use of resources in its narrow region. Resource you can find in any region is labor force. This means increasing employment and long-term sustainability and development of industries in the region.

This is similar to the import tariffs by which developing countries cultivated domestic industries as part of a Big Push policy to catch up with developed countries.

Moreover, local currency is interest-free and difficult to create credit, so it is not useful for large scale investment. Therefore, it is apt to move toward consumption in the region.

In order for this function to appear, it will require a certain amount of distribution area.

The other is the development of mutually-help economic zone in community with some number of people that is

neither intimate nor anonymous. So to speak, it is a "mutual aid" function.

It would be used as a means to make volunteers not belong to particular persons, make the burden fairer and make money from of daily life skills, by introducing marketal adjustments to welfare services.

This feature will be realized even if the distribution area is relatively narrow.

But local currencies face the challenges of being able to be a problem with monetary policy, counterfeit and vulnerable systems (such as lack of control measures for fairness of issuing and unclear area and items for usage).

However collateral of base currency (issuing in barter) will not overly impede the government's monetary policy as Via in Switzerland. (However available areas will be limited to one region and the subjects of use will not be limited.)

For counterfeiting, we will solve it by outsourcing the printing to the Central Bank putting on special character (for example, "Ryukyu" to RYK as indicating Okinawa Prefecture) at the end of the serial number of the yen (banknote) .

In addition, local governments have budgets, human resources, and authority to solve these problems. Management and credibility are maintained if the local government becomes the only issuer (including the right to determine the conversion amount) that can exchange local currencies with collateral of base currency (yen).

If a portion of the salaries of local officers are paid in local currency or a portion of local taxes should be paid in local currency, a certain amount of circulation can be secured from the beginning, and stigma such as "poors' currency" will not be.

It is "local government currency" limiting its available area to the administrative divisions.

The "cooperation" function of local government currencies can be observed from three aspects.

One is to support the development of effective demand in the region by suppressing the over-winning of strong supplier in nationwide or worldwide markets.

The economic cycle consists as follows.

Even if local government currency is distributed, the person who sells things in local government currency is limited to those who purchase the materials and merchandise in local government currency. The strong worldwide suppliers are not such subjects. The strong in the market choose locations and materials for production from all over the world so that they can produce at their most advantage. Receiving local government currency can make it difficult to pay wages and buy materials, which hinders production.

Then, the local suppliers who are less efficient but accept local government currency have advantage in the competition with worldwide suppliers outside the region because they can utilize the materials and merchandise produced in the region. Demand for goods and services produced in the region will increase.

Next, the income of local workers increases in consideration of goods and services that can be bought as above.

And local government currency is paid for them, effective demand in local government currency will increase.

On the other hand, base currency distributed as welfare will not circulate in the region when the goods and services provided by strong market player are purchased by beneficiaries. Even if urban residents purchase some goods and services produced in provinces, urban area with strong suction power for money wins after all.

This will also rectify the over-going of free trade.

As a reaction to globalism, there is a growing voice around the world to prioritize and protect domestic production and workers. This cannot be ignored.

But such protectionism at the national level will overly hamper the efficiency of economy. If this expands, it will be the repeat of the block economy structure before World War II. National politics should be managed on base of free trade structure.

We can keep delicate balance between protectionism and free trade with local government currency system.

The local government currency will encourage the distribution of a certain amount of domestic products. And it gives the decision right of "What to give priority to the domestic production" to the consumers.

For instance, Californian rice is delicious and inexpensive. There is a concern that Japanese rice will lose out (unless there are tariffs or quantity restrictions). But California rice importers don't want to sell in local government currencies, because they need yen which can be exchanged to dollar for import payment. On the other hand, people possessing local government currencies have incentives to use them which don't go very far. Then, there would be some retailers who sell California rice in local government currency as mediators. But instead, they will have to purchase something else from the region. It must be something that consumers in the area accept as "a little expensive but good." In other words, consumers, not the government, decide what to cover with foreign products and what to cover with local products.

And workers who produce local products are more likely to be protected from competition from cheap labor overseas. Workers in all countries will be spared from constant competition, and will be able to coexist (without any unity).

If there is a buffer of local government currency, the import tariff could be rather lowered, and it will reduce the trade friction. The agreement between nations on the share of local currencies issued to the base currency would also open up the possibility of managing the delicate balance between free trade and protected trade.

On the other hand, the activity of the subject protected by the local currency will be confined in the region, and separated from the subject exposed to severe market competition to some extent.

Yen earners can purchase luxury items from outside the region. Those who do not will get the necessities of life in local government currency. Main user of local government currency may not able to purchase HERMES's or Dior's, but they can buy clothes sewn locally. They do not drink imported wine, but they can enjoy wine brewed locally. Advanced medical care and education are also accessible if they are in the region.

This is a kind of disparity. But it is a disparity in a way that the poor can participate in society and are respected. It differs from the excessive disparity which can be seen these days.

The second aspect is to make local economies take an appropriate distance from the impact of global capital.

Global market has promoted the distribution of goods and information, and production efficiency has increased. But this means that the economy of one country is easily affected by foreign countries.

However, if a certain percentage of yen (about 20 to 50 percent) always be converted into local government currency and circulated, it can be a protective barrier against it.

Local government currency cannot be exchanged for foreign currency, cannot be used for investments and loans and cannot be convenient for players of global money games.

In response to currency crises such as capital flights, local government currency cannot be traded and transferred overseas, so they will also calm confusion in distribution of goods on daily.

Local government currency can be an element that controls speculation (the system in which money creates money) of wealthy people (especially in foreign countries). Especially, systems such as "rent and property taxes must be paid in local government currency (or reduced if paid in local government currency)" "real estate must be purchased in local government currency" will reduce the purchase of real estate and value lifting by big enterprise.

In addition, for entrepreneurs, local government currency will make a kind of tariff barrier or "cradle of local demand". Under such protection, the opportunities for discoveries and development of new goods and services will increase.

Such protection policies should not be unreasonable, when we consider that many large global companies have gained the merits of the postwar reconstruction and population growth era ("if you make it, it will sell well") and such era is not expected in the future.

One of the last aspects is to increase the sustainability of production in emergency.

Local government currencies would limit the inflow of goods from outside area and somewhat separate the local economy from the nationwide or global economy. Separation of the market creates a refuge from the global competition for the goods made by not so efficient by alternative method in the region. And it fosters subsystems that can supply goods when efficient and collective factories of big companies or transfer systems are in serious trouble.

This is inefficient on one side. However, inefficiency naturally arises if you try to achieve self-sufficiency in the region, and it will be necessary to be a little familiar with inefficiency in normal times from the perspective of resilience.

Local government currency also has fine-tuning function in the "mutual help" aspect.

Two kinds of policy are needed to realize social welfare sufficiently and effectively. One is giving recipients freedom of choice and field of activity (for example, in the case of temporary unemployed people) . Another is protecting them in control (for example, in the case of isolated dementia patients). And it can be effective if subtle adjustments are made according to the nature of the recipients. If there are four types of benefits: base currency, local government currency, coupon, goods or service itself, it will be easier to choose the best tool for each recipient.

Benefits in local government currencies may help to adjust the equality at the effect ,not at the conditions. When the general public feels that the distribution of base currency (that does not limit time, place, things to purchase) is too much benefit, coupons or local government currencies will be adjustment for it.

The expansion of alternative markets with local government currency will also reduce people's sense of alienation, the feeling that they have little connection to the world and cannot influence the world in any way.

A part of sense of alienation arises from the situation that sellers and buyers do not alternate in one narrow society. The larger the market size, the more sellers and buyers separate. With little shared value, we will run on simple principles like competition.

Sometimes people need to get close together. Small market for local government currency may be beneficial.

Originally, money has not served for only efficiency and competition. It has also been useful for mutual help and exchanging empathy. Not only the demand but also the effort and even feelings can be measured in money as such. For example, monetary compensation system for damages is also useful for maintaining peace in society by eliminating self-help (and a chain of vengeance through violence) and complicated restoration system.

Local government currency may increase profits of companies, because it removes interest and dividends that have become a dead load on the production and trading of goods.

If there is no interest burden on loans in local government currency for companies, their profits may increase, and some companies will be able to pay more salaries to their employees.

It is not obstruction for the regions where local government currencies are circulated to bring in new investments.

It may seem as if there is some special regulation or restriction at first glance.

But investing in a region means paying employees. Companies that look for investment destinations nationwide are companies that do business in whole country and overseas, so the money received through their sales is mainly base currency. And local factory workers never refuse payment in base currency.

On the contrary, if the company's products sell well in a region, the local currency of the region may be stored in the company. It will be one of the driving force of moving factories to that area.

Having public backing (guarantee), local government currency can support the fiscal policy of public subjects.

For example, monetary easing in local government currency with limited usable area will eliminate the outflow of money outside the area in search of stocks or real estate investments and increase the multiplier effect within the region, and promote the distribution of goods and money. It will be suitable for the original purpose.

Even public investments are implemented, if large companies in Tokyo receive orders or if the company received order purchase materials from large companies in Tokyo, the salaries of employees of local companies who are the majority of workers will not increase and revitalization of effective demand will not realize.

But if the payment from public is made in local government currency, transactions outside the region will be restricted and the risk of unexpected intervention from and to competitive market will be reduced.

because local government currency is non-interest-bearing, it will be difficult to expect an increase of money circulation due to the credit creation of banks, but will also reduce the saving in the banks and decrease of money circulation. In other words, it is easy to keep the circulation constant, and it should be possible to reduce the complexity of monetary policy.

While strengthening progressive taxation on income and inheritance, it is also a good idea to refund a portion to the taxpayer in local government currency, because there must be some companies and wealthy people who are interested in donation by local government currency which is difficult to invest for more profit. And it can be expected to make the invitation to tax evasion and saving weak. Because these invitations are induced by the sense that "we have to pay tax, but we cannot decide how to use it to improve society."

Even if donating is not implemented, money that "must be used within a certain region" and "have no meaning in saving (because local government currencies are difficult to invest even for who are good at wealth management)" will give incentive to purchase some kind of service or goods in that area to companies and wealthy people. If the currencies are used to purchase goods and services, it will help revitalisation of local economy.

Being able to pay taxes in local government currency will reduce wealthy people's willingness to evade or save taxes, too.

Local government currency will also help to provide goods and services that are often overlooked by competitive markets which is the main system of the modern economy by use of labor force and resources that are also often overlooked

There are many jobs that contribute to the well-being and safety of society that can be done by amateurs living in the area if they get a little accustomed to it, and also by people who receive only low evaluations in the labor market. For example, temporary care for infants and schoolchildren, housework for the elderly or challenged people, simple repair of local roads, maintenance of abandoned vacant houses, utilization of forests, cultivation of idle farmland rented by the government at low cost, etc.

These include non-urgent work. If public subject pay for it with valuable base currency, you may think that it is waste that reduce the amount of goods that must be "imported" from other regions for local government.

However, if you pay in local government currency, it will be directly linked to increase of effective demand in the region, so it will be a way of using public funds that can be forgiven with double merit.

From similar reason, local government currency can be a tool to support renewable energy power generations, traditional methods of farming or manufacturing or construction that "do not require large-scale investments and are reliable in emergencies and disasters, but are difficult to use due to rather high cost."

In addition, if the goods produced by the above-mentioned labor (agricultural products that do not look good but taste and nutrition are good, repaired old houses, etc.) can be used for welfare, public budget will be used effectively.

Alternatively, you can wholesale the product to a local company at low price because of dispersion in quality and quantity. If it sells, the company will pay tax, then it will refund a part of public expenses later.

As for the infrastructure to support above mentioned systems, local currency is still less secure. It is a unique role of local government currency.

Local government currencies can provide various adjustments and provide various benefits to society, but economy with only local government currencies is not recommended.

It is also true that worldwide trade contributes greatly to rich material life of today. If goods from other regions do not enter one region, the level of life will be greatly reversed. Effective demand will not be nurtured, and it will cause a major hindrance to manufacturing and construction.

Financial system cannot run without interest and dividend. Production efficiency has been improved and abundant goods and service are produced through large investments and loans made with money collected by the incentive of interest.

These systems should be kept.

We should run the economy with both base currency with free circulation and interest as before and local government currency which is used only for the distribution of goods and services, so that international market economy and local economy support each other.

In order to do so, we must answer new problems as follows.

What is the appropriate distribution ratio of base currency and local government currencies?

Should we prohibit the exchange of the base currency and the local currency at all, or exchange from local government currency to base currency should not be accepted if it is not a certain amount or more, or should we impose a progressive exchange fee?

Should we set up areas where only local government currencies are available. Should investments and dividends in local government currencies be banned in full?

Where is the appropriate circulation range for local government currencies? For the cooperative function of local government currency, the prefectures come to mind first, but larger region may be preferable to enhance the economic independence of the region. On the other hand, if you place importance on cooperation in region, narrower range of the domain in middle ages may be good. Towns and villages come to mind for mutual help functions, but it may be too large or too small depending on the population of the area and the intensity of communication.

Social experiments are necessary to respond to these problems and they will be conducted in a certain narrow area.

Local government currency is suitable for such experiments indeed.

Finally, I would like to mention something that looks similar to the local government currency but is actually very different.

Virtual currency is similar to local currency in that it is a currency not issued by public authority.

However, virtual currency is difficult to use because it cannot be used without an electronic device.

The main usage of virtual currency are the overseas remittance of individuals who cannot open bank accounts, the savings of people who are uneasy about their base currency, and speculation,now.

The situation will change if banks begin to operate personal overseas remittances, and it is not indispensable as a method of saving for people who are worried about their own currency (gold and dollars are also available).

Considering them, it cannot be said that the social need is high.

It is also an anxiety factor that it is difficult to distinguish between fraud and other.

Therefore, this will not circulate that much.

"Regional gift certificates" are also used as regional revitalization projects.

This is common to local currencies in that you can only buy goods and services within a certain region.

However, it is limited to one-off use and is not useful for manufacturing and construction, so the impact for regional economic revitalization will be small.