

News from the Nyendo Lernen Team:

A digital local currency in the slums?

The slums of Nairobi, where our partner schools are located, are at first glance not an obvious place to establish a new high-tech system. Nevertheless, this is a testing ground for an exciting experiment. Just as in Mombasa, the inhabitants of the slum will soon be able to trade goats, tomatoes and charcoal with each other - on the basis of a digital local currency.

This locally valid money, called "Kangemi-" or "Gatina-Pesa" depending on the slum, was initially introduced as an analogue currency by Grassroots Economics, a Kenyan-based non-profit association. The founder of Grassroots Economics is William Ruddick, who has lived with his family on Irmgard's Oseki Farm since July 2018.

According to Will, the main problem with regular money in the slums is that the circulation of Kenya shilling does not reflect supply and demand. It does not correspond to the local relationship between supply and demand, but is subject to the flow of the economy as a whole. The official money constantly migrates out of the slum and ends up in the hands of large corporations. Due to the mechanisms of the interest rate system, all money holdings are ultimately concentrated with the rich, who have so much that they can lend money and make a living from interest, as Bernard Lietaer vividly explains in the film "Der Schein trügt". So there are not too few goods in the slums; on the contrary, resourceful residents run their businesses and shops everywhere on the roadside in order to make ends meet. But what there is, is a lack of money.

Since the local currencies introduced by Grassroot Economics do not earn interest and only have value locally, it is worth saving and not hoarding - and the money also remains in the slum. There it is constantly being spent on local goods. This creates a micro-economy that is tuned to the local market and allows trade in the slum to continue in a stable manner. This already worked perfectly in Wörgl, Austria, during the great economic crisis of 1932.

But why is it not enough to put regional money in paper form into circulation? Now digital payment systems are very familiar to all Kenyans. Everyone knows and uses M-Pesa because it is so simple and uncomplicated - and can be used throughout the country thanks to the good coverage of mobile phone networks. User convenience is an important aspect, but the digitization of local currencies also allows Grassroots Economics to analyse cash flows much more accurately. On the basis of this analysis, a healthy regional economy is to be supported by adjustments to actual needs.

For some time now in Nairobi, as in the Mombasa, corresponding attempts have been underway to digitize the regional currencies. According to Will, the trial phase is progressing promisingly. But payment is also very simple. It happens face to face: the buyer transfers the corresponding number of "tokens" to the seller using the "Bancor app" developed by

Grassroot Economics. In the near future, an additional SMS service is planned so that users with non-smartphones can also carry out transactions.

It is to be hoped that this highly exciting initiative can change the lives of our friends in the slum in a similarly positive way, as was achieved in Brazil with the "Palmas" in a ghetto on the outskirts of Fortaleza. The introduction of a complementary regional currency was so successful that there are now several local currencies spread throughout Brazil.

- Further information on the technology used and its implementation in Mombasa can be found here: <http://beta.decryptmedia.com/2018/08/28/decentralizing-africa/>
- General information on the interest rate problem and regional currencies can be found in Margaret Kennedy's book "Money without Interest and Inflation": <http://userpage.fu-berlin.de/roehrigw/kennedy/>
- The film "Der Schein trügt" is also very exciting and instructive: <http://www.derscheintruegt.com/> or as a short info: https://www.youtube.com/watch?time_continue=1&v=skzuJnGT9eU
- Who wants to know more about the effects of a regional currency on poor Communities in Brazil, becomes here fündig: <https://www.youtube.com/watch?v=vTDGi9W-vB0>
- A current work over the influence of regional money on national indebtedness gives it here: <http://nyendo-lernen.de/wp-content/uploads/Hausaufgabe-Olaf-Keser-Wagner-Economics-Prof.-Geml-MBA-2013.pdf>
- And about the emergency money of W?rgl one can inform here: <https://www.ze>