

# Selective Spatial Closure and Local Economic Development: What Do We Learn from the Argentine Local Currency Systems?

GEORGINA M. GOMEZ and A.H.J. HELMSING\*  
*Institute of Social Studies, The Hague, The Netherlands*

**Summary.** — This paper discusses local currency systems as an instrument of selective spatial closure to mitigate impacts of externally induced changes and to promote endogenous local economic development. Drawing on data collected in Argentina, it was found that local currency systems provided relatively protected economic spaces, thus enabling poor households—and especially women—to launch micro-enterprises and diversify income sources. They also supported existing enterprises by offering an emergency market outlet and, when combined with other measures, by building local trading and production networks. Following recent theory on local economic development, the Argentine case represents an example of local economic regeneration.

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## 1. INTRODUCTION

After almost two centuries of national monopolies over the issuance of money and central banking, numerous communities and localities around the world are now issuing their own means of payment to re-organize their local exchanges.<sup>1</sup> The phenomenon is often termed monetary localism (Blanc, 2002) or local monetary networks (North, 2006) and refers to the adoption of own means of payment at the local level to adapt the accepted national monetary system or construct an ad hoc one (Blanc, 2002).<sup>2</sup> In this research it is referred to as local currency system (LCS) and represents an attempt of localities to re-claim control over their economies and sometimes an alternative development path (Pacione, 1999; Seyfang, 2001b).

LCS resonates with “selective spatial closure,” which in the late seventies and early eighties was put forward by Walter Stohr and Franz Todtling as a reaction against prevailing dominant trends and regional development policies toward large-scale functional integration (Stohr, 1981; Stohr & Todtling, 1978).

Globalization in the current neo-liberal era, in effect, increases the intensity and frequency of exogenously induced changes and reduces even more the ability of local regional groups to resist and/or to act endogenously. Reclaiming local control becomes all the more important. Stohr and Todtling did not consider local currency systems as an instrument to achieve selective spatial closure. But at first glance it has such an effect: by introducing and promoting the use of a local currency, import leakages are reduced, and idle resources are (re)deployed (Blanc, 2002, 2006; Williams, 1997). This link has not been sufficiently explored, mainly because the small scale of most LCSs worldwide makes their impact barely

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marginal in terms of local economic development (LED) (Aldridge, Leyshon, & Williams, 2001).

Thanks to the experience of more than a decade with larger local currency systems in Argentina—the *Red de Trueque*<sup>3</sup> or RT—it is possible to examine in greater detail the various mechanisms at play that would have an impact on the local economy. To what extent does an LCS promote local economic development *via* generating selective spatial closure? And what type of local economic development?

In the next section we will present a bird's eye view of LED theories. The third section reviews the current state of research on LCS. The fourth section briefly describes the growth and decline of the *Red de Trueque* in Argentina during 1995–2005. This will be followed in section five by a detailed discussion of the LED effects of LCS at the level of households, enterprises, and local government. The final section draws some conclusions.

In order to research the evolution of the institutions of the *Red de Trueque*, fieldwork was carried out twice. The first time was during May–December 2004 and the second one, during November–December 2006. Data were collected through interviews with the main leaders of the RT, including those of the groups analyzed in this research. The leaders provided lists establishing that a total of 1,000 groups were operating in the second semester of 2004. Attempts to contact them showed that about half were in fact closed, but it turned out during the fieldwork that participants also attended LCS that were not in these lists. The number of centers operating in 2004 was thus estimated to be 700.

A total of 44 LCSs were visited and for these to be representative two criteria were followed.<sup>4</sup> First, they were located in a variety of geographical areas across the country, both in large and small cities, in wealthy and poor locations. Second, they represented the different political factions within the RT. During August–December 2004 a survey was conducted among the participants in 18 of the 44 LCSs visited, with a semi-structured questionnaire. These 18 were chosen according to the same criteria as above, but also selecting representative numbers of small and large groups. The sample included four centers of the Zona Oeste analyzed in this article. Respondents to the survey were chosen at random while they queued to enter the markets or next to their stand while expecting buyers. The samples were 15% of the participants in markets with less than 50

individuals and 8–10% in those with more than 50. The survey got 386 effective responses, out of which 140 were of the Zona Oeste. This extensive coverage is a novelty in research on the RT.

## 2. THEORIES OF LOCAL ECONOMIC DEVELOPMENT

The basic premise of regional studies is the empirical fact that economic growth does not occur simultaneously throughout a territory but it is selective, place bound, cumulative and therefore uneven. Central questions concern its structural permanence and the processes of its reproduction. The main concern of regional development theory is to understand and explain the spatially uneven process of development. Although this can be looked at different levels of spatial (dis)aggregation, most attention went to the interregional level.

Local economic development theory is defined here as a branch of regional development theory that has an intra-area focus. It looks at actors, structures, and processes of local regional growth as these exist and take place within a particular defined territory.

Local economic development theories can be divided into three broadly constituted, and partially overlapping sets. The first one consists of theories framed in market-driven development in which firms are the central object of analysis. The local, constituted in various ways, is one of the factors, which enhances the performance of firms. The attractiveness of a locality becomes the object of public policy and/or local social action. Firms are the central actor, while others play secondary but variable roles.

A second set of theories looks at the other side of the coin of market-driven development and recognizes that its selective and cumulative character implies that other localities are increasingly unable to reach or stay in the fast lane of economic growth. These theories focus on how to minimize falling behind and whether and how the economic regeneration of these localities can be achieved by mobilizing local entrepreneurship, raising the capabilities of local people and promoting inclusive economic organization. The focus is on small enterprises, local governments, and community-based organizations. This set can be labeled as theories of local economic (re-)generation.

A third rather heterogeneous set of theories focuses on alternative local development, which

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