

Technology and Non-Monetary Transactions: Challenges for Law

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Abstract

The paper attempts to examine the issues that arise for the Greek legal system out of the emergence of non-monetary transaction mechanisms under the effect of new technologies. There are presented cases of facing trading tools like barter and alternative and/or parallel currencies in other countries' legislation. The part concerning the Greek law

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1. Introduction

Money is what is offered and received or generally accepted in exchange for goods and services. Money is a wider notion than currency, which is the form that money takes in order to be distinguishable from other things given in exchange¹. In the framework of this paper, money and currency will be considered to be what law says they are: only the official currency is money.

In economic or social terms, however, several forms of exchange tools could be considered as currencies and much more could be considered as money. This is the first challenge for law: to substitute social reality with a legal reality concerning money. This challenge, that is, the creation of a legal reality over and in expense of social reality, is something usual for legal institutions and the present paper will not examine it further.

The second challenge comes the other way round: what happens to law when society denies that legal reality concerning the monetary system used by the society? This challenge is something that law has to take account of, whether it is going to accept or integrate it, or it is going to face it in a negative way, employing mechanisms of prohibition.

The third challenge comes from the nature of money: it is linked to many aspects of social life, especially those related to the economic activity of its users. That means, the legislation concerning economic issues is more or less affected by the way society faces money and its use. It is mostly affected if legislation accepts as money a specific and unique token or currency while society accepts as money more types of exchange tools than the “legal” one only.

This paper studies the implications, questions and challenges for law, particularly the Greek law, that originate in the emergence of transactions which do not imply the use of money as law defines it.

¹ DeMeulenaere Stephen (1998): *An overview of parallel, local and community currency systems*, paper downloaded on 08.09.2004 from the website www.appropriate-economics.org/materials/overview_of_Parallel_Local_Community_Currencies.pdf , p. 9.

2. The functions of money and its informational character

Money has several functions within a society¹:

- a. It is a standard of measure. That means, we know the market value of tomatoes and of apples, because we can express this value in euros, for example.
- b. It is a medium of exchange. It permits us to transfer a good or a service to the person who needs it while we become able to purchase what we want from the person that might be able to offer it.
- c. It is a store of value. That means, money can be stored for future purposes (investment or consumption).
- d. It is a tool for speculative profit-making. Monetary transactions take advantage of the monetary market, as well as of the function of the other markets in an economy and become a purpose themselves instead of facilitating trade of goods and services.
- e. It is a tool of political power on regional, national and international level. Who controls the monetary supply in an economy, this is the agent that is able to negotiate several policies from a advantageous position and irrespectively of the money users' wishes.

From the five functions of money mentioned above, the two first are the essential ones and the other three are secondary. However, all of them are sets of information about the people that use the money. It comes of its own that the most important information is that of the value of traded goods and services, as well as of who offers what and who needs what. This information can also be considered as information about the work needed to be produced a good or service and about the work a person has already done or produced to be entitled to acquire goods and services provide by others.

¹ DeMeulenaere Stephen (1998): *An overview of parallel, local and community currency systems*, paper downloaded on 08.09.2004 from the website www.appropriate-economics.org/materials/overview_of_Parallel_Local_Community_Currencies.pdf, p. 13. Lietaer A. Bernard: *Community Currencies: A new tool for the 21st century*, article downloaded on 04.09.2004 from the website www.appropriate-economics.org/materials/21stcent.html.

The informational character of money is what so far has made currencies an indispensable tool of exchange. Barter, as well as any form of money that would not fit the official-state issued-currency¹, had been seen as the primitive and lower-level device for making transactions. The reason was considered to be that all these forms of “non-monetary” had a serious information deficit: even if it is possible to measure or compare the value of traded goods and services, it would not be possible to have barter or non-conventional money generally acceptable as a means of payment, either because the information was not enough, or because it was not guaranteed. Nevertheless, one could also say that the information advantages of money in comparison to other exchange tools are rather over-estimated by the classical economics and several related studies².

3. The new technologies

This information deficit was, however, more or less, real, mostly for barter but also for alternative forms of money. The new technologies have enabled money users that want to trade without the official currency to cover the information deficit of the other exchange tools. The spreading of personal computers and of database management and accounting software has facilitated the establishment and function of barter or parallel currency networks. Software concerning word processing and printing has enabled those networks to communicate with their members, print newsletters and directories where information about each member’s offers and wants was given, as well as to print tokens, e.g. note currency of their own. Electronic cards are also available for use as a parallel currency purse.

The communication via internet has facilitated the creation of virtual markets for barter and exchange in non-official currency, because it permitted the network members to announce offers (in economic terms: supply) and demand and negotiate easily, quickly and cheaply. New technologies have also facilitated the exchange of ideas and

¹ For example, sea shells, cereals, eggs, etc. Here one should add all kinds of privately issued currencies, like stamp scrip money in the mid-War era

² Stodder, James (1998): Corporate Barter and Economic Stabilisation, International Journal of Community Currency Research, vol. 2, published on www.geog.le.ac.uk/ijcct/vol1-3/2no1.htm .

information about barter and parallel currency schemes all over the world. Special software has been created by people involved in such schemes and has been developed and distributed either freely or at a very low cost.

4. The “non-monetary”¹ exchange tools

One could distinguish the “non-monetary” exchange tools into two main categories. The distinction is done mainly for analytical reasons:

- a. *Barter*. Barter is used as a term, when an exchange transaction is taking place without the use of any kind of money. Therefore, the simplest form of barter, especially within local or regional communities, is the simultaneous transfer of goods and services, which have been agreed in the same agreement or contract as being of equal worth. However, other, more sophisticated forms of barter (which are widely preferred nowadays, given the existing technological means) are based on centralised trading facilities that enable multilateral barter and barter with lags of time for the application of the barter agreement².
- b. *Parallel or Alternative Currencies*. With this term we mean all forms of money that are not recognised by the law as money, but they are accepted as money by their users. They are named parallel, because they exist in the same economy along with the official currency, and alternative, because the users prefer them as payment for a transaction instead of using the official currency³. Parallel currencies are issued either by a community of people (community currencies) or by an individual, person or enterprise (private currencies) and they might be commodity-backed, fiat or time-based⁴. Moreover, a parallel currency might be

¹ Quotation marks are used because the paper needs to conciliate, at least in words, the fact that several forms of money are not money concerning the law.

² Stodder, James (1998): Corporate Barter and Economic Stabilisation, International Journal of Community Currency Research, vol. 2, published on www.geog.le.ac.uk/ijccr/vol1-3/2no1.htm.

³ Parallel have been named some currencies also because they are sometimes used a partial payment, the rest of the price been paid with the official currency. The term alternative has also been used because of the “alternative” ideological background of some parallel currencies.

⁴ The value of a commodity-based currency is linked to a commodity or a “basket of commodities”. “Fiat” (Faith) currency has its value based on the trust only on the issuer or on the issuing system, or even on the

pegged to the official currency or have a “de facto” value measured in official currency or it might be not pegged at all to the official currency or it might be pegged to the official currency of another country.

The physical appearance of those types of money might also vary: they may have no physical appearance, but only a virtual one in the accounting sheets of a PC, or they may take the usual form of notes (or even coins). They can also take forms very similar to the “bill of credit”, where the payer issues a certificate for the value of the trade and this certificate can be accepted as a means of payment by other members of the community. Another, continuously expanding form of alternative currency, is that of digital money – usually embodied in a digital card (smart card) of one or two tracks (dual cards, to allow transactions in the official and in alternative currency) that the traders use in order to pay and be paid for the trades.

Parallel currency networks and schemes may choose using the classical tool of price for matching supply and demand, or matching supply and demand in a centralised way without free pricing by the members, or combine both ways, or even leave the markets decentralised while setting some price ceilings. The main difference from the official currency is that parallel currencies do not bear interest and in some cases they bear a negative interest, which means the value of the note one has decreases after a pre-arranged period of time has passed.

What is also important, it is the location scope of most parallel currencies. In other words, they are issued for use in a specific and rather limited geographical area (a neighbourhood, a village, a city). However, there are parallel currencies that expand to include members/users from an entire region or country.

One should admit that, despite of their (real, exaggerated or supposed) informational deficit, barter and other “non-monetary” exchange tools have been quite useful through history. Moreover, in modern times they have expanded in periods of economic distress, like the 1930s. Their recent (re-)emergence is a fact that has not been

trust the users have to each other. The value of the time-based currency is linked to the time (for example, an hour of time) spent for production of a good or service

explained yet and it is beyond the scope of the present paper. Beyond the scope of this paper it is also to present the benefits of a parallel currency for the community and the local economy, which uses it, as a whole.

However, it could be useful to mention the main benefits of those exchange tools for their users, given that those benefits are the mere expression of the nature of the exchange agreement. Moreover, those same benefits could be one reason for the emergence of this kind of transactions and one reason for which the Greek law will have soon to face “new” types of economic activity. The main benefits¹ are or are supposed to be:

- a. People save on the official currency, which is more difficult and more expensive to acquire. The parallel currency, on the contrary, is created by the citizens themselves, according to their needs and under the conditions they consider as appropriate for their local society.
- b. There is no interest or interest-like charges for the parallel currency. That means, people and enterprises can afford credit and investment with credit. In other words, parallel currencies also function as a credit mechanism among their users and as an investment tool. Projects with a public or welfare nature, for which there are no funds in official currency, can be financed in the parallel currency the community who needs the projects issues.
- c. Activities and jobs that are not or are badly paid in the conventional economy are paid in parallel currencies. That means that the value of several activities and jobs might increase to the benefit of the people who take them over and who will be able to acquire some (more) income through their work.

5. The “non-monetary” exchange tools in Greece

The information available so far has been that “non-monetary” transactions are not common at all in the Greek economy. The distinction should be made between barter

¹ DeMeulenaere Stephen (1998): *An overview of parallel, local and community currency systems*, paper downloaded on 08.09.2004 from the website www.appropriate-economics.org/materials/overview_of_Parallel_Local_Community_Currencies.pdf , p. 26-28.

and parallel currencies: the latter are inexistent. The cooperative bank sector, which could be a promising framework for the creation of parallel currencies, does not seem to work in that direction, although cooperative banks are flourishing in relative terms¹.

Barter on the other hand is also inexistent in official terms. One reason might be that people do not want to discuss cases of barter or “exchange”, because this could be considered as a sign of poverty. Or, because it reminds the rural economies Greece experienced until several decades ago. Another reason might be that they do not want to draw the attention of the tax authorities. The tax authorities themselves do not have any special policies related to barter and all “exchange transactions” that the Greek law permits (makes visible) are treated like monetary transactions with prices attributed to the items exchanged².

On April 29th 2005, a television broadcast revealed that people in small urban centers, rural and semi-rural areas exchange goods they produce themselves with neighbours and friends. The explanation these people gave was that they preferred to save the official currency (euro) and that they wanted to ensure the good quality of the goods exchanged (food mainly)³.

6. The Greek laws that govern “non-monetary” exchange tools

The Greek law resembles all other Western (continental) legal systems, which have been structured on the basis of a monetary economy. Particularly, the monetary economy refers not to any kind of economic and financial system, but to the capitalist financial and monetary system with the banking sector prevailing in the establishment and management of the money institution.

¹ Lidorikis Alekos: Cooperative Banks Upward, (Λιδωρίκης Αλέκος: Ανοδικά οι Συνεταιριστικές Τράπεζες), Newspaper “I Kathimerini”, 09.05.2004.

² This holds particularly for exchange contracts concerning land property. There is also the information that the mass media companies have some favourable arrangements in order to exchange goods and services and be able to declare the transactions as such to the tax authorities. This has not been checked yet.

³ The reportage was broadcasted in the Alpha TV news of 29.04.2005. The information has been acquired from the website of the Alpha TV channel (www.alphatv.gr) and by phone conversation on 03.05.2005 with Manos Niflis, team leader of the reporters team who worked for the this reportage.

This is expressed on the laws, too. The total absence of legal provisions concerning barter transactions is astonishing. The exception is the Code of Civil Law, where there is only one article out of 2035 referring to the “exchange” contract. The article 573 of the Code of Civil Law considers that “exchange”, that is barter, is a form of two-direction sale. The article 562 of the Code of Civil Law refers to the contracts which transfer a mobile or land property right with an exchange, which might not be necessary monetary. However, both articles refer to the general rules of the sale contract (articles 513-573 of the Code of Civil Law). Therefore, in any case, exchange contracts will be treated just if there was a set of prices for the goods or services exchanged.

This is not of course the intention of the parties, which means that they should create a contract that would solve all the issues arising from the fact that the rules both articles 573 and 562 are referring to are based on the payment of the price. This of course makes more difficult for the parties to agree quickly about the content of the contract, given that they need to negotiate almost all clauses. Consequently, the barter/exchange contracts are not facilitated at all and they are useful and affordable only in cases of simple exchange of rather low value or in cases of large companies, that can afford the legal advice for the contract preparation.

Moreover, the Greek law does not have any provision for multi-lateral barter. In the framework of the existing legal rules, this kind of transaction is impossible to be treated within the framework of the sale or the exchange contract, because at the time a contract is implemented (for example, a company is providing with goods a client), there is not any payment or reimbursement at all for the agent who gives. The receiver is going to give goods or services to another member of the barter network and this will clear the obligation to the first agent. That means, the multi-lateral barter network could possibly function as a clearing house or a cooperative, but not as a market where transactions take place among agents.

Legal provisions concerning parallel currencies are completely absent from the Greek legal system. Although the Greek state has experienced periods, when different kinds of currencies were circulating and used by the economic agents, this has not been expressed on the Greek law. One reason is that at the time the modern Code of Civil Law was adopted (it was prepared in the 1930s and adopted in 1941) the memories from that

era of parallel currencies had faded. Another reason is that the Greek nation state needed the currency as a symbol of existence, independence and economic strength and this was not possible to be expressed but with the affirmation that the currency of the country is one only: drachma at that time. Whatever is the reason, the important consequence is that the rules on selling contracts have been structured by the Greek law in a way, where most rights of the parties involved and most effective tools for the implementation of the contract are expressed in money, related to the price payment or to the compensation payment.

The question is what is going to happen, when a group of people decide to establish a parallel currency scheme in Greece. The Greek laws do not have any provision for fictional accounting units, either. Is the money the scheme participants will create illegal? What is going to happen with the transactions that have taken place by the means of the parallel currency? Even if the money is considered not to be against the Greek laws “for the protection of the national currency” because the money used is not foreign, the payment will not be considered as payment with money. Is the Greek law going to consider the transactions as barter transactions in order to have laws governing the related contracts? However, those transactions the best that they could be if one neglects the parallel currency used within, it is multi-lateral barter – which is not covered by Greek law, as already mentioned.

The framework for societies and corporations in Greece is not very helpful either. The so-called “civil association”¹ (articles 741-784 of the Code of Civil Law) could be a solution, because the contribution to the association can also be in kind or in working effort (article 742 of the Code of Civil Law). However, the association members and perhaps the association itself would search for profit, or at least for supporting their economic interests by the means of the non-monetary transactions within the association. This would change the legal status of the “civil association”, as well as the taxation rules applied on it. And, as already mentioned, this would imply that rules inappropriate for the situation would apply: an example is the taxation law, which would demand, at least, that taxes should be paid in official currency, while the income or profits generated will be in kind or in parallel currency!

¹ “Astiki Etaereia”.

Another issue that the Greek law does not resolve, is that of interest. The Code of Civil Law in the articles 293-296 regulates as normal the payment of interest as a contract clause and as a fine or punishment for those agents who do not implement the contract as it has been agreed. Nevertheless, in the case of barter and of parallel currencies interest does not exist. That means, the contracting parties have agreed not to pay any interest even on overdue payments or on compensation payments for not implementing the contract. Moreover, even if the law requires or a contracting party requires at the end that interest on overdue payments is paid, what currency this interest will be paid in? Will a Greek judge ever rule that interest is paid in another currency than the official one, while the contract was in a parallel currency?

For the moment, these questions have been rather based on the hypothesis that parallel currencies will in another form or another appear in the Greek economy. Barter has already appeared, but there is need for research in order to understand what is really happening. Other countries that have faced “modern” barter and parallel currencies since the 1980s and 1990s might be interesting cases to look for the legislative response to these phenomena.

7. The experience in other countries

a. Australia

In Australia the most common parallel currency type is that of LETS, or Local Exchange Trading Systems. It is interesting that many LETS have been founded or even initiated by the Australian government agencies, probably in an effort to fight rising unemployment and unemployment-originating exclusion. The legal status of the LETS schemes have been that of corporation and this has permitted the schemes to receive grants, to get insurance and sign leases. As a result, funding is coming to them by different sources, like the Department of Social Security, the Department of Planning grants, even the Lotteries commission. The exception to the incorporated status have been three only “Green/Alternative” LETS schemes.

All transactions are recorded for taxation and accounting purposes at a centralised LETS office. The questions include the social security unemployment benefits rules. As for the Australian taxation authorities, they distinguish between the earnings of hobbies exerted within a LETS – which are neither taxable nor declarable – and the earnings in the framework of one's main formal occupation – which are declarable and taxable, unfortunately in Australian dollars and not in LETS credits. The result, of course, is to deter professionals [whose services are mostly needed in LETS] from participating with their main profession services in the scheme, or to force them to charge a part of their reimbursement in official currency in order to be able to pay the relevant tax¹.

In particular, the Income Taxation Ruling IT 2668 titled "Barter Transactions Countertrade Transactions" comprises the basic legislation about the taxation of barter or counter-trade transactions. LETS are ruled by this law, as well as all business-to-business multilateral barter schemes that fall within the Subsection 25 (1) of the Tax Act. For example, for a self-employed member, any local currency unit exchanged for services rendered in that person's normal course of occupational endeavour, is taxation assessable and it must be declared as income, including its equivalent value of in Australian dollars. However, the expenditure incurred in earning business income within a LETS or barter scheme can be offset against the local currency revenue. It is each scheme member's responsibility and not of the barter or LETS scheme to disclose all and true information about the income earned, both to the Taxation Office and the Social Security Department.

For the valuation of the transactions, the Taxation Office accepts 'fair market value', that is, they accept the Australian dollar equivalent of the goods and services traded. There is an exception for the cases where the business agents can demonstrate that a specific trade is consistently (not occasionally, but in the majority of transactions) at a level which is different from that comparable in the conventional economy. Moreover, if

¹ Williams, Colin C. (1997): *Local Exchange And Trading Systems (LETS) In Australia: A New Tool For Community Development?*, International Journal of Community Currency Research, vol. 1, published on www.geog.le.ac.uk/ijccr/vol1-3/1no3.htm. Birch, Dawn and Liesch, Peter W. (2000): *Community-based LETSsystems in Australia: Localised Barter in a Sophisticated Western Economy*, International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no2.htm. Ingleby, Julie (1998): *Local Economic Trading Systems: Potentials for New Communities of Meaning: A brief exploration of eight LETSsystems, with a focus on decision making*, International Journal of Community Currency Research, vol. 2, published on www.geog.le.ac.uk/ijccr/vol1-3/2no2.htm.

the business employers pay their employees in local currency, they are liable for fringe benefits taxation¹.

As for the social security unemployment benefits, the Australian Government has finally exempted LETS participation in the income tests for social security payment assessments. The so-called “Deahm Amendment”, that was adopted in March 1995, modified the Social Security Act in order to leave the LETS earnings out of the authorities calculations of the minimum income that entitles to social security benefits. This exemption, of course, is awarded, if the unemployed person respects some conditions².

b. France

In France, the SEL schemes are mostly established in the form of the association, according to a law of 1901. However, they refuse to join any official policy for the regulation of their activities, or to participate in any official action of charity of poverty eradication.

However, this law-respecting image has not been entirely accepted by the French authorities, as the judiciary adventure of three members of the Pyrenean SEL reveals. In January 6th 1998 the Magistrates’ Court of Foix, France, condemned the three SEL members for clandestine/illegal work to a fine of 2000 francs each with simple deferment of the sentences. In 17 September 1998 the three condemned were released by the Court of Appeal of Toulouse, France.

The interesting issue about those two trials is the attitude revealed by the legal authorities. According to Laacher, the exchanges in the SEL systems could not be considered as illegal work, because the account unit – with which the tasks realised within the schemes are paid – is not useful and has not any value but for the scheme

¹ Birch, Dawn and Liesch, Peter W. (2000): *Community-based LETSsystems in Australia: Localised Barter in a Sophisticated Western Economy*, International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no2.htm .

² Birch, Dawn and Liesch, Peter W. (2000): *Community-based LETSsystems in Australia: Localised Barter in a Sophisticated Western Economy*, International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no2.htm. Williams, Colin C. (1997): *Local Exchange And Trading Systems (LETS) In Australia: A New Tool For Community Development?* , International Journal of Community Currency Research, vol. 1, published on www.geog.le.ac.uk/ijccr/vol1-3/1no3.htm .

members only. The pleas of the accused and the arguments made by work associations that appeared in the court in favour of the accused, were based on the general statement that the elements that constituted the crime had not been completed for the commitment of the crime of illegal work.

The Court of Appeal adopted a rather ambivalent position. They accepted that the three condemned had exerted their SEL activities occasionally, therefore they were not obliged to register in the list of the professionals. The Court accepted that the three persons tried had not any education title and that there was no link of subordination among them. Finally, the Court accepted that the amount of 15.000 francs – which was the equivalent of the total SEL revenue for two of the accused – was not over the limit that would permit the Court to consider it as illegal revenue.

In other words, in this concrete case, the law has been respected by the accused SEL members, despite the fact the SEL activity is definitely a profit activity, according to the Court. Therefore, the activity within the SEL schemes compensates the participants with a real remuneration, a real revenue. That means, the activity is professional in any case. But, it is illegal in the case only it reaches certain quantitative limits.

However, the quantity is not the only issue that one could see in the Court's of Appeal decision. The other is that the SEL currency (the "salt grains") were examined as equivalent to the national currency of the country. As a consequence, the work compensated by SEL currency was illegal work, like the illegal work done in a hidden way in order to escape social and fiscal obligations.

In other words, the Court seemed to forget that the SEL money cannot be used in the formal economy, it can not be invested, it can not be converted to foreign exchange, not can that bear interest and profit, nor can it offer speculation opportunities to its users. In real terms, it can not make anyone richer or poorer, because this is possible by using a commonly accepted currency - that is, the national currency. The Court failed to recognise that the local currency is just a trace and a memory tool for the exchanges and not a means of gaining a revenue¹.

¹ Laacher, Smaïn (1999): *Nouvelles formes de sociabilités ou les limites d'une utopie politique – L'exemple des systèmes d'échange local (SEL) (New forms of sociability or the limits of a political utopia – The example of local exchange systems)*, International Journal of Community Currency Research, vol. 3, published on www.geog.le.ac.uk/ijccr/vol1-3/3no2.htm .

The problem is that, in case the SEL schemes expand to an extent that their members, or some of their members can gain a living out of their scheme activities, this attitude already clarified by the Toulouse Court of Appeal will awake the public authorities against the SEL schemes. The issue underneath is that the legitimacy and the law-respectful conduct of the schemes are subject to the free [according to the time, place, economic environment, general social conditions] quantitative estimation by the public authorities.

c. Germany

The Tauschringe schemes¹ in Germany expanded and evolved in a legislative vacuum². Their status, activities and especially their relation to work law was not secured. and their actions could be misunderstood or wrongly interpreted. In 1999, most of the Tauschringe schemes had not any legal status. Most of the schemes had been created within an association that already existed. This policy permitted the Tauschringe to use the associations establishments, to have contact details and to save their funds without having them controlled by the association council. The host associations are usually neighbourhood or religious associations.

Very few [12 out of 162 schemes studied] among them had been registered under the form of association. A reason for not choosing the association status was the legal obligation to create a formal structure by appointing an elected council that would be responsible before the third parties. This would be a contradiction to the principles of equality and participation of all the members. Therefore, the decisions are made by all members and the function rules of an association are considered to be very rigid and inflexible for a Tauschringe organisation. Nevertheless, this legal inexistence is an important problem for the development of relations with partners, cooperators and donors, like communities and enterprises, which need to have an interlocutor which is recognised on the legal level.

¹ These schemes resemble much the Local Exchange Trading Systems in the English speaking countries. They have similar structure and target individuals that want to exchange goods and services in their local economy (neighbourhood, city section, etc.).

² The information covers the Tauschringe development till 1999.

Another reason for the Tauschringe avoiding a legal registration is the fear that the association might incur a danger of being taxed, because the associations of recognised public benefit nature only are released from their obligation to pay taxes. The taxation issue is also raised for the Tauschringe members. There is no problem at all for them, when the exchanges within the scheme remain a part of their private life and they do not constitute a professional practice.

However, the situation is very different, when the exchanges become a professional occupation. The taxed revenue minimum limit in 1999 was 32.500 deutchmark. But, the scheme members could not reach this limit and they did not have even the obligation to declare their revenues, unless the exchanges have a commercial or entrepreneurial nature.

As for the taxation authorities, they calculated the German local currencies as equivalent to the deutchmark. As a consequence, the enterprises have reduced interest in participating in the Tauschringe schemes, because they will be obliged to pay taxes in deutchmark for revenues made in local currency¹.

Another important legal issue concerning the Tauschringe systems is that of its compatibility with the labour law. Because, if the transactions within the scheme are not simple exchanges, they might also be illegal labour. Especially, the neighbourhood exchanges (Nachbarsschafthilfe) are not considered to be illegal labour by the labour law. But, this type of exchange is not clearly defined and it can be variedly interpreted.

Therefore, a summary of the labour rules leads one to judge the Tauschringe transactions not to be illegal labour, if they satisfy the following conditions:

- a. The social security/welfare benefits receivers do not receive another benefit within the scheme - that is, the rule of giving and receiving is respected among the members.
- b. The scheme members do not complete via their activities within the Tauschringe the conditions for their recognition as entrepreneurs: regularity, frequency, intensity, entrepreneurial equipment.

¹ Pierret, Dorothee (1999): *Cercles d'échanges, cercles vertueux de la solidarité – Le cas de l'Allemagne (Exchange circles, virtuous circles of solidarity – The case of Germany)*, International Journal of Community Currency Research, vol. 3, published on www.geog.le.ac.uk/ijccr/vol1-3/3no1.htm.

- c. The merchant does not propose one's services without being registered in the commercial chambers.

The third important issue concerning the relations of the Tauschringe with the legal rules is that of the compatibility of the scheme exchanges with the subsistence or unemployment allocation benefits. The basic rule for every economic activity was that any revenue over the amount 30 deutchmark per week should be reduced. Therefore, the question about the Tauschringe transactions is whether they can be perceived as revenue or not. There are two opposing views:

- a. The Ministry of Labour considers the activities within the Tauschringe as revenue sources, thus, deductible from the amount of the received unemployment benefits
- b. The Tauschringe schemes emphasise their social and personal empowerment nature. Therefore, they offer a framework within which the unemployed can avoid remaining passive and create social networks.

The solution given has been placed between the two views. The unemployed are not officially authorised to perform more than fifteen hours of voluntary work, in order to have enough time to search for employment. The unemployed Tauschringe members should follow this rule. In reality, the application of the rule is rather in theory, because it is rare that a Tauschringe member offers more than fifteen hours of work per week via the scheme exchanges.

Till 1999, no case of conflict on the judiciary level had arised in Germany. Te administration only was sometimes asking for information from different Tauschringe schemes¹.

d. Mexico

The first parallel currency initiative in Mexico faced a completely negative stance by the Mexican federal state. It was introduced in 1994 in the state of Oaxaca and it was terminated after some months of function after being prohibited. The reason: the federal

¹ Pierret, Dorothee (1999): *Cercles d'échanges, cercles vertueux de la solidarité – Le cas de l'Allemagne (Exchange circles, virtuous circles of solidarity – The case of Germany)*, International Journal of Community Currency Research, vol. 3, published on www.geog.le.ac.uk/jccr/vol1-3/3no1.htm .

government considered the scheme as a means of control in favour of the Zapatistas National Liberation Army, which had started its rebellion from the neighbouring state of Chiapas. The second attempt took place in 1996, in Mexico City by the same non-governmental organisation that had been involved in the first unsuccessful attempt. This initiative did not to face any problems with the public authorities, much less with the federal state¹.

e. United Kingdom

In the United Kingdom and by 2000 more than a hundred local authorities supported or established new LETS schemes via their anti-poverty or social services programmes and via the Local Agenda 21. However, not all the LETS schemes have a formal constitution.

As for the tax issue, LETS income declaration for taxation purposes is the responsibility of the individuals concerned rather than the system. However, the UK new Social Security Housing Benefits regulations treated (in 2000) the LETS currency as equivalent to an income in sterling. However, the Officers in the Benefits Services were not interested or aware of the issue, or they adopted a “creative ignorance” attitude. The same difference in views and approaches has been observed even among the UK Benefit Agency officers².

8. Further challenges for the Greek Law

The Greek legislative corpus will face the “non-monetary” transactions soon or later, if they are not already here, from the moment hidden away from the “legal world”. To

¹ De Meulenaere, Stephen and Lopezllera-Mendez, Luis (2000): *Towards an Economy in the Hands of the People: The Tianguis Tlaloc Local Currency System in Mexico*, International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no4.htm .

² Caldwell, Caron (2000): *Why Do People Join Local Exchange Trading Systems?* , International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no1.htm . Seyfang, Gill (1997): *Examining Local Currency Systems: A Social Audit Approach*, International Journal of Community Currency Research, vol. 1, published on www.geog.le.ac.uk/ijccr/vol1-3/1no1.htm. Fitzpatrick, Tony (2000): *LETS and Benefit Claiming in the UK: Results of a Pilot Project*, International Journal of Community Currency Research, vol. 4, published on www.geog.le.ac.uk/ijccr/vol4-6/4no6.htm .

make a list with the challenges the Greek law will face, apart from those concerning the legislative vacuum, one should include:

- a. *The issue of taxation.* Non-monetary transactions might become a tool to tax-evade. However, one should take into account that all transactions within a barter scheme and transactions in many parallel currency schemes are kept filed by the scheme administrator so that clearance is possible at the end of the trading period. That means, that it is difficult for members to hide their revenues, given that there is a record of their trades available in third parties, even if this does not mean that the tax authorities will examine the records. Amen schemes prefer to announce the records and the balances of the members' trade to all members of the scheme.
- b. *The issue of social benefits.* In many countries barter networks and parallel currencies have been introduced as a response to unemployment and social exclusion. Therefore, some members were receiving unemployment benefits for which they were entitled because they could not find any employment. The discussion is still open whether the "non-monetary" transactions may become a mechanism for citizens to abuse the social security system or whether this is just a way to keep the unemployed people economically active and ready to find a new job.
- c. *The issue of the informal market, particularly of illegal work.* There is a discussion whether those "non-monetary" transactions support the expansion of the informal market and the proliferation of illegal work. The experience of informal market in Greece, however, shows that the formal currency does not formalise the economy, as well.
- d. What is the real problem with the informal character of the "non-monetary" market is not that the trades cannot be traced, checked and controlled by the tax authorities, but that *this market can also be unfair and exploitive as the conventional "monetary" one.* Therefore, the *quality of the products and services* provided within the barter or parallel currency networks is something not to be left to the good intentions of the scheme members. Moreover, the service-provision sector, which is relatively extended in the foreign schemes (and inexistent in the barter

exchange noticed in Greece), might be another form of employment that escapes *employment laws* which protect the employee.

- e. *The multiple nature of the contract agreed in parallel currency or within counter-trade.* The contracts within a barter scheme or a parallel currency scheme act at the same time as exchange selling contracts and as lending/credit contracts. This credit is given with no interest (in some cases with negative interest) and it is actually repaid in kind or working hours. Which rules will be implemented on the contract? Moreover, if the contracting parties are enterprises or investors in general and use this quite attractive form of credit to pursue their projects, will the rules concerning investment, support to the small and medium enterprises, support to the enterprises with activities in the regions far away from the capital city, etc. be applied?

9. Conclusion

“Non-monetary” transactions, barter and parallel currencies, have been emerging again in many countries and one should expect to see similar initiatives in Greece, too. The issues that have arisen so far are important and rather difficult to be answered, especially when information about what is really happening is rather scarce. This paper is just an attempt to formulate questions for further discussion and research. It is also an attempt to examine, hopefully in time, the Greek economic law under the light of recent transformations of the economy and society linked to the expansion of information and communication technologies.

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