



JEL E 41, 42, 51, 52, 58, F62, G 21, 24, 32, 35

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**REPORT FROM THE SCIENTIFIC CONFERENCE ENTITLED:
"PROJECT OF IMPLEMENTATION OF LOCAL PARALLEL
CURRENCY IN THE OTWOCK DISTRICT" WHICH WAS HELD ON
31 AUGUST 2016 IN THE HEADQUARTERS OF THE WARSAW
HIGHER SCHOOL IN OTWOCK**

**SPRAWOZDANIE Z KONFERENCJI NAUKOWEJ PT.: „PROJEKT
IMPLEMENTACJI WALUTY RÓWNOLEGŁEJ LOKALNEJ NA
TERENIE POWIATU OTWOCKIEGO”, KTÓRA ODBYŁA SIĘ 31
SIERPNIĄ 2016 R. W SIEDZIBIE WARSZAWSKIEJ SZKOŁY
WYŻSZEJ W OTWOCKU**

**ЗАЯВЛЕНИЕ НАУЧНОЙ КОНФЕРЕНЦИИ: «РЕАЛИЗАЦИЯ
ПРОЕКТА МЕСТНОЙ ВАЛЮТЫ В РАЙОНЕ ОТВОЦКА»,
КОТОРАЯ СОСТОЯЛАСЬ 31 АВГУСТА 2016 В ВАРШАВСКОМ
ВУЗЕ В ОТВОЦКЕ**

Abstract

On 31 August 2016, a scientific conference entitled "Implementation of the parallel local currency in Otwock District" was held in Otwock near Warsaw. The main topic of discussion during this Conference was the methodological assumptions of various concepts and formulas for the implementation of the parallel local currency in local government units applicable in the Otwock District. After several years of implementation of this type of parallel currency there should be positive trends confirming the acceleration of growth of the local economy, including improvement of the labor market situation and increase of tax revenues of the budget of the Otwock District, which will translate into increased investment in local infrastructure and improvement of quality of provided public services. Increased expenditure on education and public sector institutions' offerings.

Keywords: *report, conference, money, parallel currency, self-government currency, local currency, local government, district, monetary policy, financial system.*

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Opublikowany: 2017-06-30

DOI: 10.5604/01.3001.0010.2597

Streszczenie

W dniu 31 sierpnia 2016 r. w podwarszawskim Otwocku odbyła się Konferencja Naukowa pt.: „Projekt implementacji waluty równoległej lokalnej na terenie Powiatu Otwockiego”. Tematem przewodnim dyskusji podjętych podczas tej Konferencji były metodologiczne założenia różnych koncepcji i formuł dla implementacji waluty równoległej lokalnej w jednostkach samorządu terytorialnego możliwych do zastosowania w Powiecie otwockim. Po kilku latach od implementacji tego typu waluty równoległej powinny pojawić się pozytywne trendy potwierdzające przyspieszenie wzrostu lokalnej gospodarki, w tym poprawę sytuacji na rynku pracy oraz wzrost wpływów podatkowych do budżetu Powiatu Otwockiego co przełoży się na zwiększenie inwestycji w lokalnej infrastrukturze oraz wzrost jakości dostarczanych usług publicznych, wzrost wydatków na edukację i ofertę instytucji sektora publicznego.

Słowa kluczowe: *sprawozdanie, konferencja, pieniądz, waluta równoległa, waluta samorządowa, waluta lokalna, samorząd, powiat, polityka monetarna, system finansowy.*

Аннотация

31 августа 2016 года в Отвоцке около Варшавы состоялась научная конференция на тему: «Проект реализации параллельной валюты в местном районном Отвоцке». Темой дискуссии, проведенных в ходе этой конференции были методологические допущения различных концепций и формул для осуществления параллельной валюты в единицах местного самоуправления для возможного использования в районе Отвоцк. После нескольких лет реализации данного вида параллельной валюты должна появляться позитивные тенденции, подтверждающая ускорение роста местной экономики, в том числе улучшения ситуации на рынке труда и увеличения налоговых поступлений в бюджет района Отвоцка, который переведет на увеличение инвестиций в местной инфраструктуре и повысит качество поставляемых коммунальных услуг, увеличение расходов на образование в государственном секторе.

Ключевые слова: *доклад, конференция, деньги, валюта параллельная, местная валюта правительства, местная валюта, местные, районные бюджеты, кредитно-денежная политика, финансовая система.*

Introduction

On 31 August 2016, a Scientific Conference entitled "Implementation of parallel local currency in the Otwock District" took place at the Warsaw Higher School in Otwock. The prevailing topic discussed during this Conference was the methodological assumption of various concepts and formulas for the implementation of parallel currency in local government units that could be used in the Otwock District. The initiator of this Conference was Marek Leśkiewicz, the Municipal Councillor of Otwock, in cooperation with the Foundation "We are Change" ("Jesteśmy zmianą"). This conference was a continuation of the International

Conference on the "Two Pillars of Economic Abundance" organized by the Foundation "We are Change", held on 17-18 June 2016, in the Auditorium of the Stefan Demby National Library at ul. Aleje Niepodległości 213 in Warsaw [Press conference from the International Conference "Two Pillars of Economic Abundance", 2016].

The conference entitled "The project of implementing parallel currency in the area of the Otwock District" was held by the Warsaw Higher School in Otwock at ul. Armii Krajowej 13 which was represented by the former Rector (in the previous term), the

Head of the Department of Finance and Accountancy, Mr Dariusz Prokopowicz, PhD. The conference was attended by President of Otwock, Zbigniew Szczepaniak, Vice-President Piotr Stefański, representatives of the Foundation "We are Change", entrepreneurs and representatives of the media. The conference was opened by the Municipal Councillor of Otwock, Marek Leśkiewicz. The first speaker was the former Rector of the Warsaw Higher School, based in Otwock, Dariusz Prokopowicz, PhD. He expressed a great interest in introduction of this innovative development project in the Otwock District, emphasizing that this would be a great difference for our city. During the first conference panel, the Councillor of Otwock, Marek Leśkiewicz discussed ways of reviving the local economy by increasing the turnover and profits of local entrepreneurs in the area of Otwock County in the situation of introducing local currency. A few years after the implementation of this type of parallel currency, positive trends should be seen, confirming the accelerated growth of the local economy, including the improvement of the labor market situation and the increase of tax revenues to the budget of the Otwock District, which will translate into increased investment in local infrastructure and improve the quality of public service delivery, the increase in education expenditure and the public sector offerings. Then Tomasz Kukulowicz, an expert of the Foundation "We are Change", discussed the issue of the impact of the process of implementation of the parallel local currency on the territory of the Otwock District on the local economy.

The President of Otwock, Zbigniew Szczepaniak, expressed his support and acceptance for the implementation of the parallel local currency in the city of Otwock, pointing out in his speech that this process

would be a positive sign for the implementation of the Plan of Responsible Development of Deputy Prime Minister Mateusz Morawiecki in the non-cash, electronic transaction execution.

Another positive signal of support of the self-government environments was the support for the implementation of local self-government currency in the Otwock District granted by the Otwock Poviastarost. On behalf of the Otwock Poviastarost, in a letter addressed to the Councillor Marek Leśkiewicz on 12 August 2016, the support and willingness to cooperate in the implementation of the parallel currency in the area of Otwock District was expressed by Mirosław Pszonka, the Poviastarost. During the Conference, a number of presentations and lectures were delivered, which for organizational reasons were divided into the following 4 thematic panels:

a) contemporary features of the implementation of sovereign currencies in the world,
b) economic and political aspects of the implementation of the sovereign currency,
c) modern tools for the operation of the local currency,

d) the nature of the local sovereign currency, positive and negative aspects. Extensive material from the conference was prepared by the Sejm TV, which was present at the conference. The main organizer of this conference was Marek Leśkiewicz, a non-partisan Councillor of the city of Otwock. The conference is available on the Press Warsaw website [Conference Project for parallel currency implementation ..., 2017].

1. Experiences of Western countries in the implementation of parallel currencies

Studies and similar financial developments in some West European countries show that the introduction of a local parallel currency into the local economy (a region, e.g. a district) is primarily a stimulation of entrepreneurship and the activation of trade and services development guaranteeing a decent life for the Otwock District and securing financial resources for the education of children, adolescents and adults.

The speeches were mainly aimed at presenting a way of reviving the economy by increasing the turnover and profits of local entrepreneurs, fighting unemployment and, consequently, improving economic growth in the area of the Otwock District. During the Conference, it was pointed out that the key financial institution necessary for the implementation of the local currency in the form of self-government parallel money is the municipal bank. Unfortunately, up to now, such banks have not been created in Poland, despite being a well-known financial institution operating on the basis of the principles of social market economy. In addition, the implementation of the local parallel currency will run smoothly in the Otwock Province if preceded by the earlier creation of the Otwock Special Economic Zone. The design of these institutions was developed by the experts of the Foundation "We are Change". During the Conference, the participants, pre-legends and invited guests representing the local communities of self-government institutions and entrepreneurs signed a declaration of support for the project of implementation of the parallel local currency in the Otwock county [M. Leśkiewicz, Declaration ..., 2016]. The participants of the Conference expressed their support for the project of implementing the parallel local currency, the creation of the Otwock Special Economic Zone and the Community

Bank in the area of Otwock. In the course of the lectures given by the experts from the Foundation "We are Change", Paweł Tomasz Kukułowicz and Krzysztof Lewandowski pointed out the legitimacy of the implementation of local currencies in poviats in Poland, citing numerous examples of similar solutions already existing from many in some of the developed countries of Western Europe. In many developed countries, in addition to the traditional national or post-national monetary systems, there are also local currencies in the area of a given region or as a parallel currency for a given local government unit. In some countries such as Germany, Great Britain or Switzerland, local parallel money systems have been operating for years, based on efficient municipal banks. Such systemic solutions, which would complement the traditional national monetary system, did not develop in Poland. The lack of development of these local, parallel self-governing monetary systems in Poland was primarily a historical condition, i.e. first and foremost a half-century of the absence of a market economy which was arbitrarily degraded and replaced by a militarily and politically imposed model of the centrally steered Polish economy.

Various parallel local currencies function regionally in some of the highly developed countries which currently record moderate economic growth. Countries such as the USA, Canada, Germany, Switzerland, and Great Britain are included in a group of high-growth countries, and although they do not currently record impressive levels of growth, even from the 1990s or from the fall of 2008. However, the global financial crisis is characterized by positive and improving economic growth rates, with ac-

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Opublikowany: 2017-06-30

DOI: 10.5604/01.3001.0010.2597

ceptable economic levels of macroeconomic indicators such as consumption, inflation, labor, investment, income, savings, deposits in banks, etc. [D. Prokopowicz, A. Dmowski, 2010, p. 312] At present, Poland is an economically developing country. This is not a situation that can be described as very good but many economists suggest that in the context of the macroeconomic situation and the level of development of

many other countries, over all Europe, mainly trade and financial convergence with Poland, the economic value is defined as relatively good and with a tendency towards further improvement. Against this backdrop of macroeconomic instability, the concept of the creation and implementation of certain parallel local currencies is emerging to support the economic development of the region.

2. Innovation and fiscal issues of the implementation of the self-government currency in Poland

The analyzes carried out on the analogous processes of the implementation of local government currency in some Western European countries show that tax incentives can be a useful instrument in this type of parallel currency creation. These incentives can stimulate the development of transactions for a specified level of turnover of business entities, the value of transactions or the initial period of implementation of the local currency. As a consequence, the experts of the Foundation "We are Change" dealing with this problem point out that the crucial factor for the effective implementation of the local currency in the Otwock District is the establishment of determinants of the non-fiscal character of the local currency trading, including the determination of turnover ceilings for a single entity e.g. up to 150 thousand per year. This type of relatively low threshold could be established for the smallest enterprises, micro-enterprises and service establishments operating in the area of the Otwock District. The issues, such as those relating to the fiscal system, should be regulated by the regulations prepared by the Minister of Finance [Local Government Project, 2016]. Organized relief in the fiscal system would be a solution similar to that already practiced in China. In this very fast-growing country, such fiscal incentives in local currency systems support the development of micro-, small- and medium-sized enterprises, including start-ups, usually the most

innovative companies with high growth potential. It should be taken into account that small and medium-sized businesses account for over 90% of all countries. This is why the issue in recent years has achieved exceptionally high levels of relevance. In the absence of this type of systemic solution, the first concepts of implementation of the local self-government currency are characterized by innovations based on the Polish pro-development economy of local governmental systems, which according to the experience of analogical solutions that have been in operation for years in the countries of Western Europe confirms the significant contribution of this type of parallel local monetary system to stimulating entrepreneurship, increasing the turnover of locally operating economic entities and, consequently, increasing the growth of the local economy. The fact that recent discussions in business circles have been taking place in Poland in the context of local governments with the participation of academics is also highlighted by the high level of this issue. Typically, this type of panel drive will eventually lead to the development of a specific formula, standard, local currency model that will be implemented in a given self-government unit and will be taken at conferences and scientific symposia but also involving entrepreneurs and local government officials. This type of conference took place in Otwock near Warsaw and was described in this paper.

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During the lectures given by the experts from the Foundation "We are Change", they pointed out that the introduction of local self-government currencies could be a recipe for payment congestion and unemployment, i.e. negative aspects of economic processes that are aggravated by low economic

growth. The introduction of local self-government currencies should improve liquidity, contribute to increase the volume of transactions between the various entities, and, as a consequence, stimulate the development of local production, trade and services [Local Government Project, 2016].

3. The role of community banks in the system of a self-government currency

A key financial institution that can facilitate the process of implementing local currency in the form of self-government parallel money is a community bank. Unfortunately, such banks have not been created in Poland, despite being a well-known financial institution operating on the basis of the principles of social market economy. This means that the main goals of the banks' operations are determined by the function of the service to the community in which they function, preventing the flow of capital that should serve the community. Banks of this type operate in many countries: e.g. in Germany or in Scandinavia. They also functioned in interwar Poland. They survived the war but were liquidated by the communist authorities. Experts from the Foundation "We are Change" in the discussions at the Conference point out that financial barriers are the only barrier to the creation of communal banks which are organized as commercial banks with a 100% shareholding of self-governments that are indebted for projects co-financed by EU funds, the use of financial resources to create a community bank can be difficult. In such situations, the only solution to this problem may be the support of the State Treasury in the creation of the first such banks in selected self-government units [2016].

In today's Poland, there are no big debates about this issue. For example, why there are no alternative scenarios of the transformation of the financial system in Poland help to speed up the process of repoloniza-

tion and increase the sovereignty of domestic monetary policy, particularly in the area of money supply to the economy through credit? Why are not you considering such solutions in which, for example, Warsaw would be served by its own financial institution rather than by participating in the global financial casino, Citybank. This bank has exposure to speculative instruments thirty times greater than its own assets! Such a situation could lead to a local financial crisis for the Warsaw municipality. The bankruptcy of the bank, which was once saved from taxpayers' money, is enough to finance a loss of 4% because of this type of instruments. In such a situation, the bank's central bank may take over a significant part of the city's financial turnover through repo transactions [D. Prokopowicz, S. Gwoździewicz, Administrative, supervisory ..., 2015, p. 212]. The creation of municipal banks in all provinces so that their activity covering the whole country would give the opportunity to take advantage of the current legal system of creating a credit money in relation to cash of about 12 to 1. This means that Polish local governments could create needed money without paying the high cost of borrowing financial capital to foreign banks that transfer profits abroad. In the context of such a problem, a key question is why foreign financial institutions have the enormous benefits of money creation while exiting the real money from the market and citizens are paying the high cost of taxes and handling costs as well as repayment of public debt.

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DOI: 10.5604/01.3001.0010.2597

4. Different forms of existing local parallel currencies

At the Conference entitled "Local Parallel Currency Deployment Project in the Otwock District", one of the speakers, Dariusz Prokopowicz, PhD., stated in his speech that the local currency as a parallel currency to a traditional national or international monetary system has a rich history of functioning in various conditions- economic and cultural. It has often been the case in the past that the local currency which was not a national legal tender, appeared in local, regional communities where the traditional national monetary system exhibited a specific malady or that the whole country was in a serious currency crisis. Normally, local parallel currencies have emerged in situations of economic crises with high inflation, i.e. hyperinflation. Where traditional money was characterized by low purchasing power, it lost its value evidently day by day or became almost unchangeable with other currencies, then there was strong pressure to create parallel currencies. However, often in such situations of deep economic crisis parallel currency was not a coin, specifically made for this purpose, or a new type of printed banknotes, only specified difficult-to-access items or commodities, money is based on objects that are characterized by the fact that they did not lose their value overnight, but were sought after by a considerable part of the local community. In times of deep economic crises, e.g. during the Great Depression of 1929-1934, such money was often cigarettes. Of course, in the so-called primitive cultures of human societies which usually did not produce state organs and institutions at that time, the money was also the made of shells from coral reefs or teeth of hunted predators. However, if this was the only accepted form of currency in the community, it would not be included in the parallel currency group, which was devoted to the deliberations made at the Conference. During the discussions underway during

this Conference, the speakers noted that due to time constraints they were unable to discuss all aspects and types of local parallel currencies that existed or exist in Poland and other countries. For example, an interesting issue that was not developed in detail at this Conference is the issue of alternate, parallel currencies that emerged during deep economic and financial crises. Speakers agreed that such issues and other forms of parallel money will be discussed at subsequent conferences planned to be organized on this issue. At that time, issues such as alternative forms of commodity money, which could, in the periods of economic crises, be considered as parallel currencies, will be discussed, with focus on currently developing systemically parallel local currencies. In the past and now in different countries of the world, local currency-based monetary systems have been operating and are still operating, which considerably more omit their traditional form of money as coins and banknotes than the various types of commodity money known in the past. There are also situations where this type of currency may appear during periods of deep financial crises. For several years there have been discussions on this subject, e.g. in the Greek debt and economic crisis [D. Prokopowicz, S. Gwoździewicz, System and normative ..., 2016, p. 87).

In this country, especially in times of increasing scarcity of the officially functioning currency of the international Euro, there was pressure to create a variety of parallel local currencies to solve the problem of liquidity loss and the slowdown of cash flows in various economic spheres. Such periods occurred as the deadline for repayment of the next installment of debt to the German and French banks came to a close, which financially supported the roll of Greek Treasury bonds. Such situations also appeared in the bankruptcy notices of some bank, not necessarily Greek, or in the panic

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DOI: 10.5604/01.3001.0010.2597

of the mass population trying to withdraw bank deposits caused by delays in payouts to employees hired by public institutions, offices but also in situations of delays in the implementation of transfers to pensioners. However, such crises that determine the need to create and operate a local parallel currency are not the subject of this article. In this paper, the main focus has been on the existing local currency systems that are not present in economic or financial crises but in economically justified or effectively functioning economies characterized by a positive level of economic growth [B. Domańska-Szaruga, 2014, p. 27]. During the discussions, the speakers pointed to different forms of parallel, local money that already exist in some places, cities, municipalities in Poland. During the Conference, it was assumed that in Poland, different places of some cities or rural gminas operate in the local monetary units, which are primarily an additional tourist attraction and at the same time functioning as a ticket or means of payment for selected services e.g. in a particular par entertainment. An example of such a very local currency of a very narrow area and economic

application are the "1 Dino" coins in the "JuraPark Bałtów" theme park in the Bałtów Complex of Tourism in Bałtów in Świętokrzyskie Province. This type of monetary unit, due to its very limited area and institutional scope, does not significantly contribute to the activation of the region's economic growth. The functionality of this type of local monetary unit, specifically the "1 Dino" money, is limited in practice to mainly the role of a token accepted as a form of payment for a part of the service offered by an amusement park, possibly also of negligible numismatic significance and an additional tourist attraction. One of the speakers, Dariusz Brzozowiec, discussed the example of the "corporate" variant of the local currency which was introduced over two years ago in Starachowice in Poland. According to the presentation of Mr. Dariusz Brzozowiec one of the "corporate" forms of local money is the "Green" currency system functioning in Starachowice, which operates in the local system, a parallel currency introduced into the local community as a part of the bonus paid in addition to the basic salary in local businesses in Starachowice County.

5. Determinants of the introduction of the parallel self-government currency in the Otwock District

During the final discussion, the speakers identified the key determinants of the implementation process of the parallel, local bank on the basis of the plan for the introduction of this type of currency in the Otwock District. During the Conference the following assumptions were made for the implementation of the local parallel currency as a form of money of a regional monetary system functioning in a given municipality or district in Poland: (a) the local community generally accepts the use of parallel currency and treats that currency as analogous to the traditional national monetary unit of national or transnational reach

(b) a significant proportion of economic operators, local businesses, service establishments accept the local currency and, at least partially, carry out payments, enter into transactions or pay remuneration in the local currency, (c) the local parallel currency is significantly more important for supporting the economic development of a given region of a self-governing unit than for a currency-only formula or a currency being an attraction for tourists, d) the national and local government is not in a deep economic, financial or debt crisis, but this determinant does not need necessarily to be required but rather tied to the

current or relatively good state of the economy,

e) the local parallel currency is not an alternative to the traditional national monetary system; it only functions as a supplementary, partially alternative, local business, trade, clearing and payment for goods and services offered mainly or exclusively by local or regional operators,

f) the process of systemic implementation of the local parallel currency may require the establishment of institutions supporting the process of putting into circulation and efficient operation of that currency in the region of a given local government, county or municipality, i.e. entities such as community banks and special economic zones .

g) local parallel currency systemically based on the development of a local paramonetary system designed for the development of the local paramonetary system, e.g. municipal banks should be implemented in the area and with organizational support of local government units at the poviát level.

h) currently dominated by scientific concepts propagated, among others, by Izabela Litwin, an economist, suggesting that the parallel currency should be a sovereign currency; the independence of money consists

in its public emissions and means the independence of the issuer of money from the global financial markets and their global decision-makers; this means that such a parallel currency would be non-exchangeable and interest-free and would operate in parallel with the national currency being the legal tender in the concerned country. During the course of the above-mentioned Conference, the speakers agreed on the need to implement a parallel local currency in the Otwock District. A number of key aspects of this process have been discussed, and the most important issues for this implementation have been emphasized. One of the messages that has been adopted as an additional determinant of the choice of a specific formula of a local parallel currency is the systemic approach and the creation of the necessary institutions, primarily financial ones, and the creation of conditions for the launch and implementation of processes that will enable the efficient development of the system of this parallel currency. The state system should inevitably be involved in the process of creating, organizing and coordinating the development of the local currency by local self-government entities.

Conclusions

Summing up, the conclusions of the Conference, it was argued that an additional determinant and motive for the implementation of the parallel currency in a given region may be the issue of a progressively deeper deficit of traditional currency emitted by the central bank of legal tenders on a local, regional or national basis. This shortfall may be due to various cash flows occurring in the commercial financial system, i.e. mainly in commercial banking or in the public finance system and in international settlements and treasury bonds. In some developed countries, against the background of these imperfections in the domestic commercial financial system and in the context of the theory of technological advancement, which generates the potential increase in unemployment, consideration is given to the introduction of guaranteed income for citizens in order to maintain domestic consumption in an acceptable level of economic efficiency. At present, some research centers are also considering the concepts of implementation of the local parallel currency that would be introduced into the local community through the use of a mechanism according to the formula of guaranteed income. This type of parallel local government currency combined with the issue of guaranteed income belongs to innovative solutions of paramonetary financial systems which have recently been discussed in Poland at scientific conferences, symposia and public debates by scientists, academics and entrepreneurs. In the current year 2016, this type of conferences are taking place in Poland more and more often. The leading and coordinating organization party of such discussions, the Foundation "We are Change" is based in Zielonki, the municipality of Stare Babice in the Masovian Province, in Western part of Warsaw. Lecturers Tomasz Kukułowicz and Krzysztof Lewandowski pointed out that

the process of implementing the local currency was more efficient for a given self-government unit in the Polish context, i.e. the district or county should be appointed self-government special economic zones. The creation of self-government special economic zones will contribute significantly to local production, trade, services and other types of SME. Systematic support for novice microenterprises is particularly important at the stage of setting up and launching business activities - preferential taxation at local exchange with the local currency of goods and services, and also standard forms of business support, typical and traditional specialties of Economic Zones [Otwock Special Economic Zone, ..., 2016]. In the course of the final discussion, it was also pointed out that there was a need to organize a conference on related bureaucracy in the future on issues related to the local currency, namely the question of determinants and the possibility of introducing a parallel sovereign currency in Poland. Such currency solutions have also been operating in some Western European countries and have been particularly effective in supporting and maintaining liquidity in monetary systems in the face of deep economic and financial crises such as the Great Depression during the 1930s or the Crisis of raw materials from the 70s of the last century [R. A. Werner, *Lost Century* ..., 2016, p. 38]. An example of monetary reform in Iceland, reforming the country's banking system in the context of the deepening global financial crisis of 2008, was described by Sigurjonsson in a book entitled "Monetary reform. A better monetary system for Iceland" [F. Sigurjonsson, 2015, p. 12]. During the conference on the "Implementation of parallel local currency in the Otwock District", it was pointed out the need to develop such issues during subsequent planned conferences.

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Opublikowany: 2017-06-30

DOI: 10.5604/01.3001.0010.2597

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Opublikowany: 2017-06-30

DOI: 10.5604/01.3001.0010.2597

Wydanie: International Journal of New Economics and Social Sciences 2017; 1 (5): 349-361