



DAWIE'S NOTES: MY ORANIA INVOLVEMENT

The past month, my life has been quite hectic and I also experienced the sharp end of fake news. I have been criticised and called many awful things. However, in some instances the story was correctly reported. It attracted worldwide attention and even CNN covered it. It is all about my involvement in a project in the little town called Orania.

Without making a blanket value judgement, Orania is a very special place for an economist. It is a community of about 1500 people whom strive to achieve certain shared goals. In the process, the Oraniers established an “economy” within their community which consists of nearly all the institutions that typically exist in larger economies. Orania is almost a “complete” economy on a micro scale.

Now, such places and opportunities almost don't exist. When economists do research, they usually need to be satisfied with doing their research in the context of a large economy. For example, if I want to do research on the impact of the digitisation of money on a country's economy, there are so many variables that I need to consider that the outcome of such research would not necessarily be accurate. But Orania is different!

As Orania is relatively small and all its role-players are very accessible and willing to share data and statistics with me (which I am grateful for), Orania is the ideal place to do economic research. That is how I got involved.

Orania has several businesses, a chamber of commerce, a town council, a community bank and their own “money”. The existence of Orania's money, the ora, is exactly what interested me.

The ora isn't real money, it's more like a voucher. The chamber of commerce “owns” the ora and the local bank administers the ora on behalf of the chamber of commerce. The bank sells the ora in exchange for rands and the ora is widely used in transactions as “money” in the town.

You can also exchange your ora's back for rands at the bank at any time, at a fixed “price” (exchange rate) of one ora for one rand. The ora also has an expiry date, whilst the interest earned on the rand account when the ora was sold is used as a source of income for the chamber of commerce.

In the research that I am currently conducting (I am registered with a university for the research), I want to determine what the impact of digitising money will have on transaction costs and consequently on economic activities. My hypothesis is that digitised money, and the resultant lower transaction costs, will encourage economic activities.

A few experts and I are planning to digitise the ora. Without explaining too much about the technology (which is secure and safe), the plan is to use an application on a smartphone to do transactions in future. Everything stays the same, except that the ora will also be available digitally on a smartphone. The ora will still be backed by the rand.

But of course, not everything remains the same. In addition to the digital ora that will be available which will make transactions cheaper, there is another difference between a physical currency and a digital currency. With physical currencies (like notes) the buyer and seller need to be in each other's presence. With digital currencies that is not necessary — ownership of money can be exchanged even if the two parties are not in each other's presence! The implications hereof can be fascinating. A currency that reduces costs and that is not geographically bound, may just lead to the ora being more widely used.

It is not all about Orania or the ora. I suspect that many communities like towns, clubs, schools, buying associations, or even internet groups, will want to have their own currencies in future. And who knows, perhaps one day we will have many private currencies which could compete with the central bank's money; just like Bitcoin, Etheruim, Tezos and many more are already doing.

Just imagine how valuable my experience and research about digitising the ora may be, then...

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