

1997

Local Currencies in Community Development or Too Much Mngwotngwotiki Is Bad For You

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Tim Cohen-Mitchell

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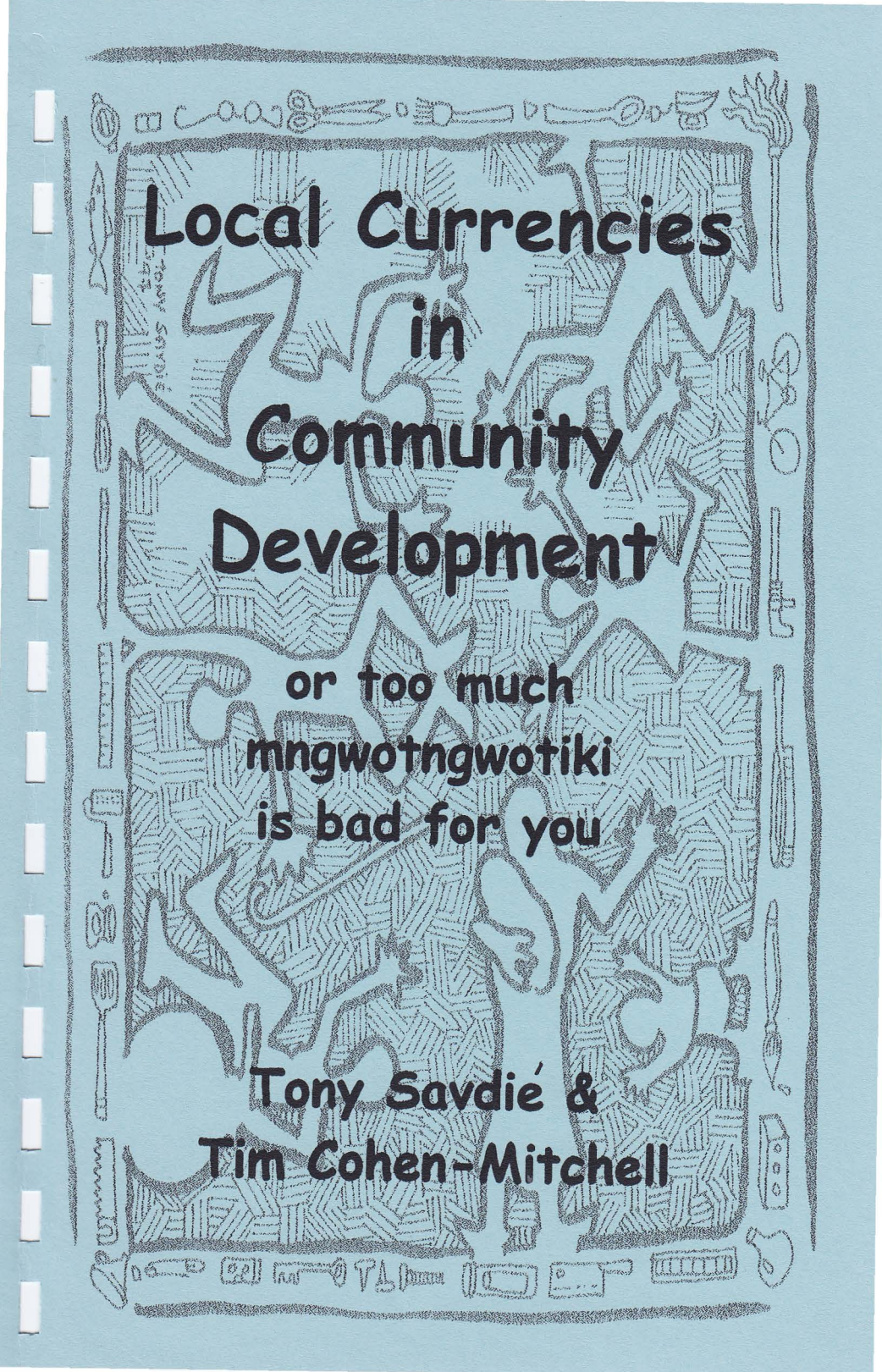


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**Local Currencies
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Community
Development**

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**Tony Savdié &
Tim Cohen-Mitchell**

Mngwo-What?

The Tangu people of New Guinea have a word for what occurs between people when they temporarily suspend their sense of obligation to one another. It is *mngwotngwotiki* (pronounced nig-what-gwoh-teekee). This study of local currency systems counters too much *mngwotngwotiki* by offering a concrete way to develop a sense of care and mutual obligation that forms the cornerstone of healthy communities.

In *Local Currencies in Community Development*, Savdié and Cohen-Mitchell have made an important contribution to the literature on local currency systems by clearly situating their study within the context of community development. An overview and history of alternative currency systems, along with an engaging case study of HOURS in Ithaca, New York and a look at related critical issues such as gender, poverty and ideological diversity make this book a valuable resource for practitioners and educators committed to community development from the ground up.



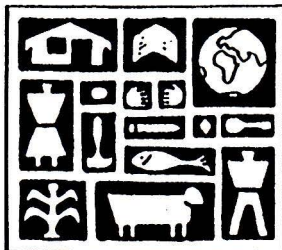
Center for International Education
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Cover illustration and drawings (but for the CIE logo)
by Tony Savdié



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Printed in the United States of America
ISBN 1-889536-01-6

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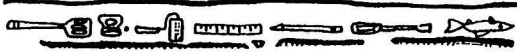
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Preface



When Paul Glover, the coordinator of Ithaca HOURS, a local currency system in Ithaca, New York, answered my first letter, he asked:

Does the study intend to feed a University system in which academics study each other's studies, collecting paychecks for dissecting the poor as we work to improve our lives, measuring our success or failure from a safe distance; or does the study encourage and facilitate the spread of community scrip/barter knowledge to people who will actually implement such systems? Who will read your study?

This warning remained among my preoccupations as we prepared, researched, wrote, discussed and edited this study of local currencies. This study has been an invaluable experience for me in strengthening my own practice as a community development worker and trainer, and to better prepare myself to act as a resource to communities who might be engaged in, or considering, economic alternatives. It is my hope that this document might also prove useful to other practitioners in the field.

As a former member of the University of Massachusetts University Women's Network (UWN) Resource Pool, a small scrip (paper money) system based in Amherst, Massachusetts, and of Fairfield LETS (Local Employment Trading System) in Western Sydney, Australia, I have had a variety of opportunities to explore local currency systems "on the ground." These personal experiences, along with those of people kind enough to share their opinions with me in Ithaca, NY and Amherst, MA as well as by correspondence from all over the LETSspeaking and scrip-speaking world, have served as invaluable bases of support for the study.

A piece of writing such as this one is always the result of

collective effort. I am indebted to David Evans, my faculty adviser, for his interest and merciless feedback, and to Guru Nam Kaur Khalsa, Kenn Clift, and Paul Glover for their assistance, support and encouragement. Special thanks go to Susan Witt and Robert Swann at the E. F. Schumacher Society for sharing their insights and the gold mine of their resource center and to Karen Campbell-Nelson for her work in editing the book. I have a special debt of gratitude to the people who agreed to speak to me in Australia and in the United States, and whose names are not included to protect their privacy. I also wish to acknowledge the contributions of Jane Benbow, Barbara Gardner, Kaiya Seaton, Tom Greco, Richard Douthwaite and Layton Montgomery.

Tony Savdié
Sydney, Australia

I first read Tony Savdié's study on local currency and community development in 1994. I had recently become an AmeriCorps*VISTA (national service) volunteer at the Franklin County Community Development Corporation in Greenfield, Massachusetts, and was assembling a small study group of community members who wanted to start a local currency system. To prepare ourselves for the project, we pored through every publication on the topic we could find. There were newspaper clippings, magazine articles, monographs, and a few books with appropriate chapters. One of the most helpful to us, I recall, was Tony's paper. We found it to be down-to-earth and comprehensive in its treatment of the community development issues surrounding local currency systems.

Since then, our group created the Valley Trade Connection (VTC), a 500-member local currency system covering 42 towns in the rural Pioneer Valley of Western Massachusetts. Using a local currency called Valley Dollars, alongside federal dollars and old-fashioned barter, the VTC provides a vehicle for low- and moderate-income individuals, families, and

micro-business owners to exchange a wide variety of goods and services which they themselves produce and supply. Through sharing and exchanging these local assets—which in the mainstream economy often go underutilized or undervalued—our community is boosting its ability to better meet its own needs. In the process, we are creating a locally-based, human-scale economy which fosters homegrown jobs, builds stronger connections between community members, broadens our understanding of and control over our local economy, and helps us fashion a neighborhood safety net to cope with the cutbacks in social spending which have adversely affected our community.

As Coordinator of the VTC, I've had a chance to experience first-hand many of the issues which Tony described so well in his study of 1994, as well as many others which have emerged in the day-to-day development and administration of this new local currency system. In teaming up with Tony to update and broaden the study to include some of the hard-won lessons and new contextual aspects of this work, our goal was to provide a resource to other community development practitioners who might wish to explore options for creating practical economic alternatives in their own communities.

I wish to thank my director, Kathleen Jaworski, and my colleagues at the Franklin County Community Development Corporation, for their unbounded support over the years. I owe an inestimable debt also to the members of the Valley Trade Connection, and to its Steering Council, including Guru Nam Kaur Khalsa, Tad Montgomery, Richard Witty and Deborah Wilson. And I would like to acknowledge the efforts (and patience) of Dr. David Evans, and our editor, Karen Campbell-Nelson at the Center for International Education, without whom this book would not have been possible. My thanks and love also to my wife, Joanie Cohen-Mitchell, for her ever-present encouragement and support.

Tim Cohen-Mitchell
Greenfield, Massachusetts

Introduction



The Tangu people of New Guinea have a word for what occurs between people when they temporarily suspend their sense of obligation to one another (Burridge in Crump, 1981). It is *mngwotngwotiki* (pronounced nig-what-gwoh-teekee). In our part of the world, *mngwotngwotiki* appears to be both the root cause and a worrisome symptom of the deep-seated and enduring malaise in industrialized societies. This despondency is not easily measured by the instruments that humankind has developed over the centuries to understand the world and itself (namely science), so it remains largely obscured and ignored by mainstream culture whose focus is more narrow and economic than comprehensive and human (Galtung, 1986).

Poverty, unemployment, and downward mobility are three grim and inescapable features of today's allegedly developed societies as they shift from labor-intensive to capital-intensive modes of production (Gallagher, 1992). Jobs are fewer and less secure, wages are lower, and the social contract that once existed between working people and their employers has become a quaint historical cameo. Women and people of color are over-represented on government welfare programs and in marginal, often unstable jobs. The workforce as a whole has suffered as gains made by the labor movement in the area of wages and working conditions have eroded, a trend which shows no signs of abating (Cass, 1983; Croft *et al.*, 1992; Vogel, 1994).

This has resulted in a now widely documented decline in the standard of living for many middle-class families in industrialized countries (Gallagher, 1992; Ehrenreich and Stallard, 1982; Vogel, 1994). U.S. Bureau of Labor statistics quoted by Vogel indicate that between 1981 and 1992, two million goods-producing jobs vanished from the US economy. Even if these jobs had been replaced by jobs in the service sector, income and working conditions are at indisputably lower levels in the service sector than they are in goods-

producing industries (Savdié, 1993). The majority of service sector jobs today pay minimum wage (approximately US\$5.00 per hour), are part-time, and offer no benefits, such as health insurance or child care allowances.

While the middle class has been hard-hit, the poor have been devastated. Relatively mainstream analyses reach especially alarming conclusions about the impoverishment of women and children, the elderly, and the decreased expectations of the post-affluent generation of the 1980s and 1990s (Gallagher, 1992). Today's poverty, unlike depression-era poverty, is perceived as being the responsibility of the poor. If you're poor, quips Vogel, "it's your own damn fault." The poor themselves are often unconscious of any structural causes of their condition. There is a poverty unmitigated by a sense of belonging and community, as individuals have become atomized and alienated from one another, leaving people "to face their calamities alone" (Berry, 1994). Material hardship is thus compounded by cultural disintegration (Vogel, 1994; Savdié, 1993).

What are the larger forces behind these economic troubles? Part of the explanation, certainly, is the rapid growth and transformation of the global economy—the lowering of so-called trade barriers, increased mobility of capital held by banks and corporations, and the centralization of economic power by transnational corporations and other entities. In rich countries, this has resulted in well-paying manufacturing jobs being sent overseas ("relocation"), management positions being eliminated ("downsizing"), and public sector employment being reduced ("privatization"). Jobs are still being created, but, as we've said, mostly in the service sector where temporary, low-paying employment with no benefits are the rule.

Coinciding with these changes are major shifts in government policies affecting the poor. The 1990s have seen the dismantling and reduction of many federally-funded welfare programs, such as subsidized housing, Food Stamps, health care, and Aid to Families with Dependent Children.

Responsibility for these kinds of assistance has been transferred to states, localities, and private charitable institutions. But with states and localities grappling with their own fiscal woes, and charities quickly becoming overburdened, this shift has dealt a sudden and severe blow to low- and moderate-income families who have relied upon government programs to help them meet their basic needs during economic downturns. Not surprisingly, these developments have contributed to further hardship for and breakdown of families, neighborhoods, and communities.

It is in this context, then, that we find communities in search of practical alternatives with which to reweave their social fabric, regain their political power, and protect and expand economic opportunities for themselves. As one response, ad hoc groups of people have banded together to form their own local economic systems, what we call here "local currency systems". The three basic types we will examine are: scrip, LETS and Time Dollars.

Scrip

Scrip systems have existed at different times and under various circumstances over the span of many centuries. In their contemporary form, these systems enable community members to exchange goods and services by means of a locally printed paper money, which is typically used alongside federal currency and barter. Membership in such systems is generally open to any resident or business of a given locale who agrees to accept the local scrip, or paper money, as full or partial payment for the goods and services they offer. Those who join become listed in a printed directory of goods and services offered (and needed) and receive a given amount of local scrip to begin participating in the system. In most systems, policies regarding scrip issuance and trading are set by their memberships.

Most of the 50-plus local currency systems operating in North America today are modeled after a system developed by

Paul Glover in upstate New York in the early 1990s called HOURS. The primary objectives of HOURS are to enhance the quality of life of members by increasing their buying power, and to increase the community's resistance to outside economic problems by fostering increased self-reliance (Glover, 1991). Glover has estimated that at least 850 communities in the United States alone have considered the idea of a scrip within the last five years. HOURS will be examined in depth in a later chapter.

At the same time Glover launched HOURS, a similar system was launched several hundred miles to the east in the Pioneer Valley of Western Massachusetts by Guru Nam Kaur Khalsa, an employee at the University of Massachusetts at Amherst. The University Women's Network's (UWN) "Resource Pool," as it was called, was organized to help supplement members' incomes following three years of frozen wages at the University and to relieve the strain of overwork caused by staff cuts. UWN members did a quick check-in one day and discovered they had a wealth of talents and skills among them. All that was lacking was a way to exchange them. They hit upon the idea of printing a token-like currency, the Resource Pool Credit, to be used expressly within their group. Starting with a handful of traders, each participant was issued with 500 Resource Pool Credits and a list of goods and services needed and offered. The women began trading in earnest, exchanging everything from child care and homemade pies, to electrical work and art classes. Unsure of the legality of printing their own money, organizers of the Resource Pool voluntarily kept a low profile. Gradually, friends and family members were sponsored into the network and over the following three years, the Resource Pool grew to over 70 members.

In 1994, after learning of Glover's HOURS county-wide system—and learning that local currency was legal—the UWN members decided to bring the Resource Pool out from "hiding" in the university and into the region as a whole. They assembled a group of community members who shared this

vision and developed the Valley Trade Connection (VTC) and its two-county currency, the Valley Dollar. The VTC was launched in March 1995 and grew rapidly. By 1997, membership stood at 500 members, the VTC's directory of products and services included over 1,200 listings, and over V\$50,000 was in circulation.

For most participants in scrip systems, the primary means of involvement is exchanging their goods and services with each other. These exchanges offer opportunities for needs to be met and relationships to be created, and often go beyond what is typically thought of as "economic." Here are just a few examples:

- * Sam, a 10-year-old boy taking French lessons from Sara, a VTC member, discovered that the teacher was also a jewelry hobbyist and asked to learn how to make a bead necklace. His first necklace he gave to his mother as a gift; the rest he hopes to sell or trade at an upcoming barter potluck. His mother pays for the French lessons with the Valley Dollars she earns for caring for a neighbor's kids. They all met through the VTC.
- * Danielle found safety and shelter from a violent domestic relationship when a VTC member she met through an earlier trade learned of her predicament and offered her a room in his home, free of charge, until she could find other accommodation.
- * John has a home-based community mapping business. Another member, Amy, publishes books on local bicycle and hiking trails from an office in her garage. They found each other through the VTC and published a book together—they've also become canoeing partners.
- * Phyllis and Kwenzi's dog, Spot, was struck and injured by a car. Both live in low-income housing and have no extra income to cope with emergencies (Phyllis has only part-

time work and Kwenzi is permanently disabled). But with the Valley Dollars Kwenzi had earned by selling one of his paintings at the VTC's holiday marketplace, they brought Spot to the local veterinary hospital. The vet, a VTC member, accepted his whole fee in Valley Dollars. Spot's life was saved.

It is probably impossible to count the functioning scrip and direct barter systems in existence. Estimates are bound to be inaccurate, as organizers are sometimes unsure of whether or not local currencies are legal, and thus, like the University Women's Network Resource Pool, tend to keep their operation discreet, at least initially. Others are a long time in development or quite new, and still others come into existence and cease operating within a few months or years. Baby-sitting groups in Massachusetts that use Popsicle Sticks as currency, and friendly barter arrangements that involve home cooking, plumbing arrangements, or the lend of a television are as common as they are ephemeral. Yet these are human impulses that the local currency movement endeavors to build upon and expand.

LETS

A more widespread type of local currency system than scrip is called LETS. It was devised by Michael Linton in Comox Valley, British Columbia in the early 1980s and has since spread to other parts of Canada, as well as to Ireland, England, the United States, Australia and New Zealand. The acronym stands for almost as many different things as there are discrete systems: Local Employment Trading System, Local Energy Transfer System, Local Enterprise Training System, Local Education Transformation System, Local Empowerment Training System are a few of the ways the acronym is unpacked. LETS operate differently according to local conditions and resources, but, according to Croft *et al.* (1992), all are based on the same principles and utilize similar

procedures. LETS and its operating principles have been described in detail by Greco (1994), Douthwaite (1994), Croft et al. (1992), Linton (1988), Linton and Greco (1987), and Dauncey (1986). An overview is provided here.

The objective of LETS, like scrip systems, is to create a community-based economic system with a new, supplemental currency used by members to exchange goods and services within the confines of the membership (Linton, 1988). Exchanges are credited and debited on members' accounts through a simple bookkeeping system. Anybody can become a member of a LETS, but only members can trade within the system since only they have access to the system's central bookkeeping system. This "boundedness" in LETS is deliberate; it creates the "space" within which members can develop new patterns of trade that keep the full value of what is exchanged within the community rather than maintain those which syphon value out of the community.

Other objectives of LETS include: creating and nurturing effective networks within the community, remunerating volunteer workers, developing community awareness and self-reliance, encouraging development of previously under-utilized resources in the community, fostering individual self-esteem, encouraging positive action amongst people trapped in poverty, and improving the quality of life of people on low incomes by giving members access to employment to procure goods and services which would not be possible within the mainstream economy (Croft et al., 1992).

When members trade, the credits and debits resulting from each transaction are reported to the system's record keeper by mailing or dropping off handwritten paper checks or by calling in by phone. The information is subsequently entered into a ledger (often on a computer) in which every member's trading activity is recorded. Each member of the system receives a registration number that enables the central accounting system, usually one or more part-time staff overseen by a volunteer management committee, to easily record these transactions and keep the members informed of their account balances through

monthly or bi-monthly statements. Operational costs such as staff salaries and printing (often paid in LETS credits) are met by charging an annual or semi-annual user/membership fee. Some systems charge a small fee per transaction, while others charge a larger fee for placing one's ads in the goods and services directory.

LETS is also a system of interest-free credit. However, unlike the informal reciprocal arrangements between neighbors, it becomes necessary to monitor credits and debits. Transactions are centrally recorded, with members earning credit points or accumulating negative balances like overdrafts. No printed currency exists, which presents certain advantages: LETS credits (or Ecos or Geckos or Strouds or Reeks or Green Dollars or Popsicle Sticks) can be neither lost, stolen, nor forged, and the interest-free nature of the currency discourages hoarding. Nor can the credits be sent to the Laundromat in the back pocket of one's jeans: the currency exists only as information.

To get a better sense of how LETS exchanges take place, let's examine a typical trading pattern in the Blue Mountains LETS in Australia, which might run as follows: Helen offers bicycle maintenance at the rate of 10 LETS credits (known as Ecos) per hour. David hires Helen for a repair and maintenance job that lasts three hours—he left his bicycle out all winter and it needs a lot of work. Helen thus earns 30 Ecos' worth of credit. David has committed 30 Ecos' worth of skills and energy to the system. Fatima, who has some errands to run, needs somebody to look after her children for the afternoon. David is available to provide that service, and, at the rate of 10 Ecos per hour, will in three hours have worked off the debit which he ran up by hiring Helen. Fatima in turn can work off her debit, which she ran up by hiring David to mind her kids, by helping Helen put a fresh coat of white paint on her picket fence, for, say, a flat fee of 30 Ecos. Now, Fatima, Helen and David may not have known one another prior to trading services. The regularly updated LETS directory, listing goods, services and members' telephone numbers, supplemented by

the recommendations of other members, enabled Fatima, Helen and David to make contact.

What works for child care, painting and bicycle maintenance has worked just as smoothly for obtaining goats' milk, piano lessons, second-hand vehicles, singing wake-up calls, carpentry, vegetables, housekeeping assistance, machinery rental, and a limitless array of goods and services (Croft et al., 1992; Dauncey, 1988; Doggett-Williams, 1994; Seaton, personal communication, 1993). Although there have been isolated cases of people selling equipment such as a computer or an answering machine for local currency, this is not often the case. The system still needs national currency to pay for such non-negotiable items as postage and phone bills. This currency is generated through membership fees, workshops for outsiders who wish to benefit from Blue Mountains LETS experience, a small publications service, and grants. In the early 1990s, for example, Fairfield LETS in Sydney received AUS\$500 from the New South Wales Roads and Motorists Association (NRMA) to install a new phone line and buy equipment.

As a model, LETS has been criticized for being unwieldy and technology-intensive. One critic confided the following: "Many of the folks at the farmer's market couldn't be bothered recording a million tiny transactions. It's too much of a hassle." Recognizing this limitation, LETS in Westport, County Mayo (Ireland) and in Tucson, Arizona (now defunct) introduced a scrip alongside checks and computerized currency. The decision to circulate scrip in Westport was based on the recognition that a great number of very small transactions would clog up the system if each had to be recorded. "Each transaction," explains Richard Douthwaite (1994), a member of Westport LETS, "takes a member's time to process through the computer, making it seem ridiculous to write out a check for a pound of carrots." In response, Westport issued small-denomination tokens called Reeks, for small exchanges.

Although the first LETS in the Comox Valley is no longer

trading, Linton's original idea has been disseminated to hundreds of communities in industrialized English-speaking countries. LETS as a local economic phenomenon is clearly booming (Croft et al., 1992). The number of LETS operating worldwide today is estimated at over 700. In England, Scotland, Wales, and Ireland, the growth of LETS shot up from under 100 in 1994 to over 500 in 1996 (personal contact Douthwaite, 1995, personal contact Boyle, 1996). Total membership in these systems is estimated at 20,000. In Australia, there are now over 170 community-based groups in operation, compared with 30 in 1984 (Doggett-Williams, 1994). Membership numbers vary, from a dozen in Fairfield LETS in Sydney's Western Suburbs, to more than 1,200 in Blue Mountains LETS, fifty kilometers up the road in Katoomba, to over 2,000 in Auckland, New Zealand.

Time Dollars

A third type of local currency system shares much in common with both LETS and scrip systems, but differs in important ways in its objectives and practice. Edgar Cahn, a retired lawyer from Washington, D.C., developed Time Dollars in the late 1980s to empower communities to meet basic, neighborly needs of the elderly, people with disabilities, residents of housing projects, and others who were marginalized from the mainstream economy. Services provided by Time Dollars volunteers include companionship, child care, light housekeeping, letter-writing, grocery shopping, English lessons, adult day-care, wake-up calls, and sewing classes. Under Cahn's system, volunteers providing services are matched with those in need by a coordinator—often based at a social service agency—who uses a database of services and needs to make an appropriate match.

Volunteers providing services receive remuneration in the form of a computer-based currency, the Time Dollar, which may be used to receive services from other community members in the future. Those receiving services are debited an

equal number of Time Dollars, which they agree to "earn" back by providing services to other community members. Those who are unable to earn Time Dollars but are still in need of them are typically provided for by Time Dollars donated into a special fund by other members, and even, for example, by young people who earn them through community service work.

Everyone earns Time Dollars at the same rate of "pay": one Time Dollar for every hour of service provided. They are spent on the same basis: one hour of service for one Time Dollar. Cahn estimates that members spend only 20% of the Time Dollars they earn; the other 80% are given to friends or relatives or donated into the general pool (personal contact, 1996). Backed by time and exchangeable only for services all offered at the same, unchanging "price," Time Dollars offer participants the added security of an inflation-proof means of exchange. The passing of time cannot erode the value of a Time Dollar; one hour earned today will be worth the same one hour spent in 100 years for one hour's worth of service. And since Time Dollars are units of time spent in service to others, and not profit or income bearing, exchanges made with them have been declared exempt from self-employment and income tax in many U.S. states. Community organizers insist that these neighbor-to-neighbor systems are not designed to displace or supplement the monetary system, but to re-humanize them by providing those simple, yet essential services which the dominant economy has been so ill-equipped to provide, either through the private sector or through public expenditure (Cahn, 1991). "Real money is all-purpose," Douthwaite (1994) quotes Cahn as saying, "Time Dollars can only buy things of special value, such as companionship, love and caring."

Through the well-publicized efforts of Cahn and the support of such notables as consumer advocate Ralph Nader, the Time Dollar system has been taken up by several hundred communities and organizations across the U.S. Support from several private foundations and the work of thousands of

volunteers in the community services sector have enabled it to take root (Nader, 1992; Cahn, 1991, 1996; Douthwaite, 1994). According to Cahn (personal contact 1996), as of 1996 there were over 300 systems in operation, with the largest (a state-sponsored system in Missouri) carrying a membership of over 23,000.

Initially, Cahn estimated the cost of setting up such systems at US\$15,000 to \$20,000, but recent advances in systems technology (such as free computer software from the Time Dollars website) may have lowered these estimates. Further refinements may be expected, as system organizers throughout the nation share their experiences through publications, correspondence, and, beginning in 1997, at a national "Time Dollars Congress".

Summary

Individual scrip and LETS meet their objectives in slightly different ways. Cahn's Time Dollars, typically agency- rather than community-based, remains an interesting option, particularly because it has the potential to revolutionize the way we value and reward traditionally unpaid caring, domestic, and reproductive labor. Both LETS and scrip systems claim to contribute to local self-reliance by capturing or monetizing previously "invisible" externalities (Galtung, 1989; Croft et al., 1992; Swann, 1990), but do not address the valuation of time and labor. However, HOURS, as we shall see, attempts to raise the minimum wage and equalize rates of pay.

Scrip systems are more popular in the U.S. at the moment than are LETS. The reasons for this are unclear, but Susan Witt of the E. F. Schumacher Society explains it in part as a function of rural mentality:

Rural folk don't trust centralized administration, they don't want any record of any transaction which might contradict their tax return... You can't imagine how many houses

around here get built out of [cash kept in] brown paper bags (Witt, personal communication, 1994).

Another explanation for the lesser fortunes of LETS in the United States is that there is something culturally distasteful about the notion of a central, public accounting system; perhaps some see it as an encroachment upon individual rights, which is all too common nowadays, with the widespread use of credit and debit cards. Nobody will argue against protecting the right of an individual to privacy. But one might ask why the Irish or the New Zealanders should be less sensitive to violations of privacy, if indeed that is what is implied by the wide-spread practice of LETS in those countries. Historical precedent, the reassuring feel of paper in one's hand, and the convenience of cash, have certainly contributed to the success of scrip systems in the U.S. Time Dollars have been designed to meet other needs such as building trust and community, and, as Kaiya Seaton stated, "to bring the balance back to how trading is done and with whom." Thus, the above issues are not seen in the same light.

Of the many community-based initiatives in the late twentieth century, local currency systems have distinguished themselves as an indisputably innovative strategy. This strategy is critically assessed in the hopes of strengthening future undertakings in this field by the community sector.

Questions Addressed in this Book

Against the backdrop of present day capitalism, development efforts at the grassroots or community level are increasingly motivated by a twin desire for self-reliance and community. How, if at all, do local currency systems, both LETS and scrip, meet their stated objectives? Do they address problems of alienation, social breakdown, and un- or under-employment? Under what conditions can they be called successful, and how can success be measured? Is success to be defined in terms of traditional indicators such as longevity,

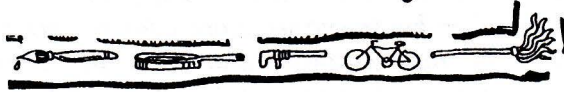
size, and volume of trade? Or should we challenge the assumption that quantification alone is valid by also developing qualitative criteria? Is a successful system one that puts a given number of additional dollars into a given number of people's pockets, or can it be one that makes people feel safer when they walk down the street at night? These are some of the questions we seek to address.

We are also motivated by a desire to produce a document that may be useful in the areas of education and training. Local currencies are highly complex, and community members who use them must learn to change the way they see phenomena such as money, employment, marginality, and community. They must shift their spending away from currently accepted patterns of consumption, which are determined by multinational distributors and pressured onto shopping lists by advertisers, and seek out that which is available within their community. Since receiving and spending money are essential features of people's daily lives, this means that alternative economic systems seek nothing less than to transform the personal habits and cultural mores which pattern daily life. This book, then, seeks to assist in training and educating new participants in such systems and to serve as a relevant resource to organizers and trainers.

Another area of inquiry in this study has to do with technicalities. Although there are historical and cultural precedents, the concept of local currency and the alternative economics movement in their present form, are just over ten years old. There are but a handful of experienced practitioners and the body of theory is still relatively small. How have others addressed their problems? How do the various systems deal with members who drop out, or who accumulate an unwieldy amount of currency? At what point does the coordinating body decide to issue more currency, or to restrict the amount of overdraft allowed to member accounts? Before we address these questions as they pertain to today's systems, it will be useful to examine the history of local currency and its broader theoretical context.

From Barter to Money

Barter



The history of local currency must begin with barter, one of the most ancient means of exchange, and one that is still widely practiced. With barter, one doesn't need money to make a trade. One simply swaps something they already have or something they can do for something they need. Reciprocal arrangements centering around labor, technical expertise and commodities have existed in all regions of the world, as well as on an international level, much longer than has money (Galbraith, 1976; Douthwaite, 1994). Reciprocity, for example, is a major component of rural economies worldwide, where "to farm...[one] must either have the constant, daily cooperation of [one's] fellows, or...a very large sum of money." Proulx estimated that in the United States, 225,000 country stores actively engaged in barter in 1933. Today, that number has dwindled to a few dozen, but there is widespread evidence that, with the high cost and inaccessibility of start-up and working capital, many small businesses owe their very existence to bartering as a primary means of capitalizing (albeit in-kind) and liberating the cash flow of their businesses. Proulx hypothesizes that the generalized return to bartering in the U.S. that began in the early 1980s could be due to a combination of factors, including the scarcity of money, the recent memory of hyperinflation following the oil crises of the 1970s, and to the increasingly widespread perception by ordinary people that their communities are disintegrating (1981).

For Paul Glover (1994) of Ithaca HOURS:

the possibilities [for bartering] are endless: artwork in exchange for French lessons, bike repair for pottery, housecleaning for gardening, dental work for a restaurant meal. When the person you barter with doesn't need what

you offer, ask them what they'd be willing to trade for and then try to earn that. For example, if you offer yardwork to a plumber, but she needs tutoring for her son, call a tutor and offer them yardwork. A tutor can 'pay' you a handwritten note promising (x) hours of tutoring, which you can pay to the plumber. This is called split barter.

Bartering is ideal when one is short on cash. It can form new friendships and cement existing ones as well. Says one barterer: "it's easy to pay by check or credit card, but bartering lets you really get to know someone. And the community is stronger to the extent people know... each other" (Glover, 1994). In rural areas, where barter has traditionally coexisted with the monetary economy, the idea of cashless exchanges has not required much deliberate reintroduction (Proulx, 1981). In urban and suburban areas, however, the idea is so nostalgic—if not exotic—that organizers have needed to spend a great deal of time and effort to reintroduce the practice. Though much is still bartered, bartering has its limits. About 4,000 years ago, people began using money to overcome these limitations (Galbraith, 1975).

Money

For all the mystery which surrounds money, the concept behind it is actually quite simple. In its basic form, money functions much like the IOU note the yardworker obtained from the tutor and gave to the plumber in the example above. It is a promise from one person which can be fulfilled by another who agrees to honor it. Money functions in three ways: 1) as a unit of account (e.g., \$1.00 = 100 cents or \$1.00 = 1.65 pounds sterling); 2) as a store of value (e.g., this note holds \$1.00 of value); and 3) as a medium of exchange (i.e., a tool for making trades). So, a federal dollar holds one dollar (or 100 cents) worth of value which can be exchanged for \$1.00 worth of product or service anywhere that U.S. dollars are accepted as legal tender. The value of money rests upon the

value of what it can buy, which in turn rests on the supply and demand of what it is traded for, on interest rates, and on public confidence. The creation of local currencies has been prompted by problems implicit in most mainstream currencies.

Mainstream Money

There are several problems with mainstream currencies. First, they have gone beyond their primary functions to become commodities in and of themselves. They can be traded and lent for profit to create greater wealth for individuals and corporations with relative ease and with little or no benefit to communities.

Second, mainstream money is highly mobile, capable of spanning the globe within seconds. While mobility certainly has advantages (e.g., international trade of needed goods), it also permits increased concentration of capital among wealthy corporations and individuals. On the local level, however, capital that leaves a community in a greater volume than capital coming into it gradually erodes that economy. There is not enough money in circulation, and what little there is doesn't stay for long (especially in poor communities) as it is soon drawn to multinational corporations and banks outside the community (Croft et al., 1992; Glover, 1992; Linton). According to Linton, "The flight of money from a community can leave it devoid of the means to trade within itself" (Linton, 1988).

Third, the value, issuance, and supply of mainstream money is controlled by centralized bodies of economists (e.g., the Federal Reserve Board). This permits the public's money supply (its means of exchange) to be subject to the whims of those in power (Swann, 1988; Kennedy, 1995). While it was at one time thought essential to back the value of a currency with a precious commodity such as gold or silver, most national currencies abandoned these standards in the 1970s and today are backed purely by promises. As Paul Glover notes, "...dollars are funny money backed by less than nothing—a \$5

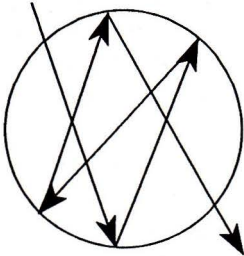
trillion [federal debt]" (Davis, 1997). The value of the U.S. dollar depends almost entirely on the faith of its public and its creditors in the promise that the federal government makes to pay its debts. Since most of the world's currencies are tied in value to the dollar and up to 60% of world trade is conducted in dollars, a broken promise could cause rapid devaluation of the dollar and have devastating effects on communities throughout the world whose currencies would plummet with the dollar.

Local Money

Local currency shares some of the useful features of federal money but is used for the exclusive purpose of facilitating trade among people living and working within a particular region. The first objective of a local currency system is to increase the money supply to a local economy. The members of the Valley Trade Connection, for example, have issued over \$50,000 of their own currency into the local economy. \$50,000 of currency may not seem like much, considering the hundreds of thousands of greenbacks exchanged in the Valley every month. But there's a catch: "Unlike greenbacks, the blue money [Valley Dollars] circulates in the area forever... buffering the community from retail chains and other forces which siphon regular money to corporate headquarters elsewhere" (*Governing Magazine*, July 1995). Local money, then, comes with the guarantee that it will be used strictly as a medium of exchange for local people. If V\$50,000 is issued, community members can count on that V\$50,000 to stay within the locality.

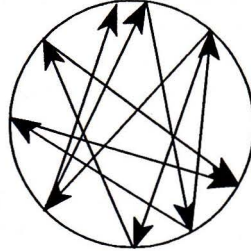
Local currency has another objective: to boost the impact of money by recycling and reusing it within a defined region. The illustration on the next page shows a simple way to compare the behavior of a federal and a local currency (Flatt, 1996):

Greenback (U.S.\$)
\$1 issued by banks



\$1 leaves to ?

Blueback (V\$)
V\$1 issued by the community



V\$1 never leaves town

One can see that when Valley Dollars circulate there is greater benefit to the community, as each dollar traded creates value which remains within the circle of traders. More trading creates more value for more local people and businesses. The typical dollar bill a woman carries in her pocketbook today will change hands about five times between the time it enters the Valley and the time it leaves, but will change hands only about one time if it's spent at a national chain like McDonald's. That means that \$1 creates \$5 of value in the community while it circulates in the region, but only \$1 if spent at McDonald's.

If we imagine one could pass a \$1 note through 50 hands, the result would be \$50 of value. Next, if we imagine one had 400 friends who each passed their \$1 bills through 50 local hands, \$20,000 of value would be created in the community. It's the power of multiplication that's at work. For this reason, economists often call this the "simple multiplier effect."

There are about 500 VTC members, holding a total of about V\$50,000. That averages out to be V\$100 each. Now, if we suppose that over a four month period each member spent 100 Valley Dollars and that each one spent changed hands ten times, members would have created V\$500,000 over this period. Equally divided, each member would have earned

V\$1,000. In other words, the value of each note was multiplied by a factor of ten. Conversely, if each member had started with 100 U.S. dollars, they would have generated only \$250,000 of total value, or \$500 each, amounting to an increase of only a factor of five. Since Valley Dollars never leave the Valley, the multiplier has no ceiling and depends entirely on how often members trade locally. The key, then, is for members to trade often.

Another advantage of local currency is that a community itself can issue its own means of exchange on its own terms, instead of placing that power with a distant authority. As for the backing of local currencies, Paul Glover, of Ithaca HOURS, says that local money "is real money. It's backed by the labor and services of real people with real skills" (Davis, 1997). Lastly, and perhaps most importantly, local currencies bind community members together as a region, helping them to help each other, while also investing in their community. They provide an opportunity for people to share their talents, make new friends, and earn extra income. Above all, they foster pride in the place their members call home.

A Brief History of Local Currencies



Although contemporary movements for community economic development often include local currency as part of their tool kit of strategies, local currency is hardly a new concept. Fack (1932) documents a precedent to local scrip systems in the economies of Western Europe in the eleventh, twelfth and thirteenth centuries. In order to obtain revenue, religious and secular leaders, who were mandated to mint coins for their districts, ordered all coins to be withdrawn from circulation twice a year in order to be recoined at a fee of 20% to 35% per year, a policy which effectively forced money to circulate. Büchi (1933) credits this system of organized depreciation, or *demurrage*, with bringing about an unprecedented increase in the quality of life of Western Europeans in the Middle Ages:

Hoarding money thus became impossible. Every money owner ... wanted to get rid of [their] money as much as the owner of goods that also deteriorate with time... This money no more ruled, exploited, tyrannized, ruined. It only served the purpose of exchanging goods and services. Speedily it hurried from hand to hand. It was spent in order to receive, and by continued selling and buying, production and distribution went on without interruption... Within a generation, a change had taken place from poverty to wealth, from cultural darkness to light. All available money was without much delay turned into useful and life-easing and beautifying goods (Fack quoted in Büchi, 1933).

In *Free Money* (1933), Büchi expands upon a concept of interest-free money developed in the 1890s by Silvio Gesell, a German entrepreneur working in Argentina, for whom the idea of unearned income, especially in the form of interest (usury),

was abhorrent. Büchi describes the case of the small Bavarian town of Schwanenkirchen, where Gesell's ideas were put into practice. The local currency, named *wära*, or "enduring," was issued by an association of local pillars of society, including an industrialist who used the currency to put unemployed mine-workers back to work. Workers paid in *wära* spent the local scrip for goods with local shopkeepers, who in turn forced their wholesalers to accept them. *Wära* was always redeemable for the town's most abundant natural resource: coal from the mine. The new currency soon displaced the gold-backed but inflation-riddled Reichsmark as the preferred medium of trade. The *wära* was kept in circulation in the town and its neighboring dependencies through an annual circulation fee that amounted to a demurrage of 12 percent. The introduction of the local currency "put back to work scores of unemployed workers" and revitalized the regional economy. Sensing a threat to its central authority, however, the German Reichsbank "entreated the Government to take action, and a special emergency law was promulgated under which *wära* was forbidden" (Büchi, 1933).

Douthwaite (1994) sees Schwanenkirchen as the cradle of modern scrip systems. In his manuscript, he cites Dauncey (1988) and Ekins (1986) as claiming their origin to be in the small Austrian town of Wörgl. The Wörgl experiment is described at some length in Cole (1933), and for the most part, its story parallels the Schwanenkirchen case. The major institutional engine for the Wörgl case, however, was not a private group of businessmen, but the municipal government itself, under the enlightened administration of Burgomaster Michael Unterguggenberger. In 1929 the town's authorities issued the local currency known by the name "Ticket for Services Rendered". These Tickets were used

for the payment of wages for the building of streets, drainage and other public works by men who would otherwise have been unemployed...The recipients immediately hurried with them to the shops, and the

shopkeepers and merchants hastened to use them for the payment of their tax arrears to the municipality (Gaitskell, 1933).

Scrip systems were subsequently introduced into the United States through the interventions of Charles Zylstra of Iowa, a scrip enthusiast, and eminent economist Irving Fisher of Yale University. Depression-era scrips began to crop up in San Francisco, Exeter (New Hampshire), Chicago, Springfield (Massachusetts), and "a score or more of American townships" (450 according to Glover, 1994), where they met with some success during the 1930s in terms of membership, longevity, and the degree to which they supplemented federal currency in people's daily lives (Gaitskell, 1933; Proulx, 1981). *Wära*, *Wörgl* Tickets, and depression-era scrip were known as "stamp scrip." The stamps validated that the holder of the note had paid a demurrage "fee" to the issuing body. Greco (1994) describes stamp scrips' heyday in the U.S., claiming that

There were literally hundreds of scrip issues that were put into circulation by a variety of agencies, including state governments, municipalities, school districts, clearing house associations, manufacturers, merchants, chambers of commerce, business associations, local relief committees, cooperatives, and even individuals.

The U.S. government's position on stamp scrip was ambiguous. Yale's Irving Fisher advised President Roosevelt to encourage the spread of stamp scrip, citing its ability to create jobs in the nation's hardest-hit communities. Russell Sprague, of Harvard University, however, advised the President against it out of concern that U.S. monetary policy was being "democratized" out of the government's hands. Sprague's argument, it seems, was the more persuasive, since stamp scrips were forbidden by presidential decree in 1933 (Douthwaite 1994). However, stamp scrips were headed for trouble even without this change in policy. The New Deal's

massive public works programs unleashed a renewed flow of federal dollars into high unemployment areas and put hundreds of thousands of idle workers back to work (Douthwaite, 1994). Scrips thus became redundant with the renewed supply of federal dollars and the creation of new jobs. The need for community currencies would not arise again until the 1980s, when economic conditions began to deteriorate, triggering a new-found interest in economic alternatives.

Present day scrip systems differ very little from the Archbishop of Magdeburg's eleventh century brainchild, and they have attempted to live up to Ricardo's expectations of perfection. The leadership for these initiatives has been varied, ranging from housewives, hippies, and anarchists, to Ivy League economists, municipal authorities, and industrialists. But while they may share their pursuit of a monetary golden fleece in common, we will see that their assumptions about human nature and its implications for the governing of economic behavior at individual, societal and state levels are quite different.

Economics & People



Many of us in today's world have entrusted conventional economics with governing our lives, predicting our future, and telling us why we are unhappy in the present, yet the discipline is increasingly found to be ill-equipped to perform any of these functions satisfactorily (Schumacher, 1975). Having grown out of the "restlessness and ambition" of the eighteenth century European merchant class, the field of economics has carried within it many of the assumptions of its originators. It is startling how little impact almost three centuries have made either on the assumptions or on the restlessness (Galtung, 1986).

The mercantilist view of human nature is, for the most part, still the view of the twentieth century economist (Galbraith, 1971), and is encapsulated nicely by Turnbull (1989) in the phrase *homo economicus*, or "*economic man*." Economic man has

an unlimited appetite; [he is] completely informed; consistently orders his preferences with respect to the possible outcomes of any decision; maximizes something (usually subjective expected utility); [is always] competitive; requires a value system only in order to provide a criterion against which to maximize, e.g., profit, utility, prestige, power; is not explicitly related to the world as an element of an interactive system and remains unchanged as a result of any interaction; no significant differences exist between individuals; has unlimited information-processing capacity, so is unaffected by differences in rates of change; [his] needs are simple and few.

If it is assumed that all people are from the *homo economicus* genus—greedy individualists who apply a price to everything and act only in accordance with the rules of

commerce—it is hardly surprising that the "winner take all" short-term planning in the business community has often been seen as a highly anomalous phenomenon. This attitude, which Schumacher (1975) blasts as "banal misanthropy," will naturally have a negative impact on communities' social and economic patterns if quick profits are seen as more important than the people who, either as laborers or as consumers, make those profits possible.

Business operations that appear rational or economic in the short term may be socially and environmentally disastrous in the long term (Ekins, 1986). Galtung, Galbraith and others conclude that although the logic and rationality of the marketplace provide us with a measure of freedom—from coercion on the part of a feudal lord or from excommunication on the part of a priest—they form a wholly insufficient lens through which to view the totality of human experience (Galtung, 1986).

Many "green," "new," or alternative economists and grassroots practitioners have taken aim at some of conventional economic's most sacred cows (Morehouse, 1989; Trainer, 1985). One of them, the mercantilist assumption of unlimited economic growth, for example, may have been perfectly logical in a world where the human population hadn't yet reached one billion and the planet's resources were not yet recognized as finite, but today it may be dangerously obsolete. Trainer's attack on the late capitalist, post-industrial "greed and growth" society (1985) reflects an increasingly widespread opinion that the idea of infinite economic growth in what we now know is a finite environment is untenable (Schumacher, 1975; Henderson, 1989).

Economists' demand curves and other statistics, for example, do not measure well-being, but rather aggregate demand. Need is only acknowledged where there is a desire backed by money. A desire not backed by purchasing power is not within the scope of the discipline and is therefore invisible, or, in the jargon of the trade, an "irrationality". As an example, if Ashwini takes two trains and a bus to work each morning while Govinda

walks for ten minutes to work through a well-groomed park, how do their differing levels of consumption indicate differences in well-being? The former's standard of living in economic terms as well as in terms of resource consumption is far greater. What common sense would suggest to be the superior standard of living is impossible to determine using the conventional instruments that the field of economics has developed. These instruments are unquestionably useful and important, but they cannot do everything we have been led to believe they can.

Another notion that new economics critiques is the idea, held by most business economists, that anything "external" to an industry—the amount of air fouled by a process of production, or the amount of human suffering inherent in acquiring raw materials at the lowest cost, for instance—has no intrinsic value and is irrelevant. Since these externalities don't "cost" anything, they are invisible; being out of sight they are put out of mind (Galtung, 1986). They argue that if the natural environment in which we live is below the horizon of the discipline, it's time to revamp the discipline.

A number of economists in the new economics movement take exception to the notion that if a dollar value isn't ascribed to something, it is worthless (Dauncey, 1988; Ekins, 1986; Henderson, 1989; and Hunt, 1989). "What are in the received wisdom 'non-economic' or 'exogenous' conditions, are in the primitive reality the very organization of the economy" (Sahlins, 1972). In fact, there is a great deal of evidence today that most ordinary people remain tenaciously closer to such a "primitive reality" than to the accepted profile of *homo economicus*.

Examples supporting this claim may even be found in the most unlikely of places: in the business world itself. An informal network of San Francisco businesses that call themselves the Briarpatch (Phillips, 1986), have demonstrated that conducting business with a certain amount of foresight, cooperation, and openness, and without pure profit-maximizing motives, can be more profitable than using

the short-term, bottom-line, secretive and competitive strategies which typify today's business world. Moreover, Briarpatch members' commitments to ecological soundness, respect for local communities, and sound labor practices have also been shown to enhance volume of trade while at the same time enhancing non-economic features as well, such as the quality of social interactions among businesses and between businesses, customers, and the community. Such practices have other, longer-term benefits: the rate of failure within the Briarpatch network, for example, is a whopping 75% lower than the U.S. national average (Phillips, 1986).

In 1984, a worldwide interest group of scholars and practitioners emerged to bring new economics to the forefront of alternative economic attention. The Other Economic Summit (TOES), as it was called, hosts an annual conference and produces publications. Hunt (1989) summarizes the movement as follows:

The New Economics goes beyond advocating a distributive justice that would leave the existing world market system and its priorities intact. It proposes that the form and extent of economic relations be determined locally, with decision-making at the local community level being participatory rather than decisive.

A typical TOES critique of conventional economics bases itself on the opinion that, far from conforming to the profile of *homo economicus* cited above, real people have appetites "determined and limited by the necessity of maintaining the organism" (Turnbull, 1989). Far from being completely informed, a real person reduces, condenses, summarizes, filters and otherwise edits whatever limited information to which they had access to begin with. A corollary to the view that information processing is slow and imperfect is that individuals tend to prefer stable systems or as close to stable as possible (Hall, 1981) where rates of change are slow. Although the individual is competitive under certain circumstances, most

of the time this is not the case (Galtung, 1986). Differences between individuals are significant and important; although their needs may be simple, they are many rather than "simple and few." Finally, in contrast to "economic man," ordinary people do not consistently order their preferences; non-economic forces may cause an individual to change his or her mind for no apparent reason, without the intention of "maximizing" anything at all (Turnbull, 1989).

It is within this new economics that the notion of community regains its value. It is here that local currencies, with their built-in limits on growth and emphasis on community building, local control and self-reliance as paramount values, may find their philosophical base. A corollary to the view that people are something other than profit-maximizing individuals is Galtung's prescription for trading relations which centers around reducing dependency by strengthening local production:

Produce what you need using your own resources, internalizing the challenges this involves, growing with the challenges, neither giving the most challenging tasks (positive externalities) to somebody else on whom you become dependent, nor exporting negative externalities to somebody else to whom you do damage and who may become dependent on you.

Late economist, E. F. Schumacher (1973), best known for his seminal book, *Small is Beautiful: Economics as if People Mattered*, foresaw this need over a decade earlier:

Production from local resources for local needs is the most rational way of economic life, while dependence on imports from afar and the consequent need to produce for export to unknown and distant people is highly uneconomic and justifiable only in exceptional cases.

Trade occurs where there is a gap between what a group

can produce and what its needs are. "The exchange should be carried out so that the net balance of the costs and benefits is as equal as possible" (Galtung, 102). In the area of basic needs, however, communities should be not only self-reliant, but as self-sufficient as possible. Center-periphery exchange should be reduced and periphery-periphery exchange should be facilitated; for example, trade between two rural communities would be preferable to trade with a city.

The external and internal status ascribed to various production factors are culturally determined. Whether a particular culture views human beings as expendable cannon fodder or as children of God, with souls who require care and maintenance, determines how members of that culture feel about human life and dignity. How human beings are viewed determines whether or not a culture takes responsibility for looking after its more vulnerable members—children, people with disabilities, the elderly, the poor.

Whether clean water and air are seen as somebody else's problems or as vital elements of each individual's personal budget may also be a function of culture. This is not to suggest that culture is fixed and unchangeable; Hall (1981) reminds us that it is a negotiated process in which everybody participates. The point is that assumptions upon which mainstream economics rest today are also cultural constructs, and, therefore, negotiated rules rather than axiomatic laws. It is perhaps regrettable that we have to go as far as New Guinea to find the word *mngwotngwotiki* to describe the suspension of this civic and cultural care of individuals. As we shall see in the next chapter, however, communities are working to counter *mngwotngwotiki*, as they create a new economic culture...**HOUR** by **HOUR**.

HOURS: A Currency for the Rest of Us?



The local currency system examined here is in Ithaca, New York, a small university town of 30,000 residents in the west central part of the state. Ithaca's local currency, the HOUR, has been circulating since November 1991 in rural Tompkins County, which includes Ithaca and towns within a radius of 20 miles (32 km) and includes a population of about 120,000. These are the parameters of Ithaca's "bioregion," and although the local currency is not yet as widespread in the outlying rural areas as it is in town, that is the region which its organizers intend it to serve. Much of this chapter is based on a series of interviews conducted in Ithaca in May and August 1994.

Objectives

Ithaca HOURS exist to increase the amount of money circulating throughout the community in order to address problems of under- and unemployment. Paul Glover, one of the founders of HOURS, was previously involved in a short-lived LETS in Ithaca. It was the failure of that system which prompted him to create HOURS. As editor of the bi-monthly *HOUR Town* (formerly *Ithaca Money*), the system's directory and mouthpiece, Glover wrote:

From artwork to yardwork, the list inside shows that if you have a little time you can earn spending power. You could start a business [in response to] needs displayed inside. This month's Barter List introduces 150 local people...together they provide over 500 job opportunities. They offer and request work that could become regular income for themselves or for you...[the system] is about promoting a grassroots, locally-controlled economy—one that produces goods here, exports more, and imports less.

Putting HOURS into Circulation

To this end over 6000 HOURS—equivalent to \$60,000—have gradually been put into circulation. The HOUR is valued at one average hour's wage in Tompkins County, or US\$10. As in the case of federal dollars, pounds sterling, or rupees, its value is maintained by the belief that a one-HOUR banknote can be redeemed at its declared value for goods and services. Leah, who has been trading in HOURS since the system was first launched, explained how the money is put into circulation:

At first, anybody who signed up got four HOURS to encourage them to start trading, like a signing-up bonus. It's the only free lunch in town. All you had to do is accept them as payment for something and keep your name in the goods and services directory and eight months later you got two more HOURS. They did it that way to bring up the numbers. Now it's changed. You only get two HOURS at first, and then if you're still there eight months later you get two more HOURS. And you can't be offering stuff that's already on the list; there are a gazillion massage therapists, so they don't really want any more...if a massage therapist joins up now they don't get the two HOURS...Of course they're free to accept the currency, but they don't need the incentive anymore. I imagine dentists [in high demand] would get the two HOURS.

Other mechanisms for putting HOURS into circulation include grants to community groups, and loans to individuals. The loans do not stay in circulation permanently, as loaned HOURS are removed from the money supply as soon as they are paid back. But they contribute to raising the profile of the currency and add to its multiplier effect in the local economy without creating the inflationary pressure that too much scrip might otherwise trigger.

The money supply is determined by membership levels and thus remains a reflection of actual and potential trading

activity within the system. The money supply increases in direct proportion to membership. As Glover sees it, a steady and incremental increase in the money supply constitutes insurance against loss of credibility, and thus, value. Douthwaite points out, however, that should people's willingness waver, the system has no formal mechanism to take HOURS out of circulation. This leaves the currency vulnerable to sudden and damaging devaluation should attitudes toward Ithaca's native-born currency change. In efforts to reduce the currency's vulnerability to mood swings — and to mitigate its "hippie" image—Glover has diversified the system by involving more conservative elements of the business community and of the community at large. This includes the Chamber of Commerce, the Federal Credit Union, as well as Ithaca's mayor, a businessman whose restaurant accepts HOURS.

Decision-making

All major decisions governing Ithaca HOURS are made at the "noisily democratic" barter potlucks, public gatherings which meet monthly at the local food coop (*New York Times*, 1993). Voting is restricted to members who have received their initial membership disbursement of two or four HOURS and have agreed to advertise their goods and services in the directory. Barter potlucks are not as well attended as they once were, and typically draw 5 to 15 people. In addition, Glover maintains an advisory committee which meets regularly and is composed of experienced business people, the manager of the credit union, and others. HOURS also employs a staff of three who answer telephones, update the member directory, and contribute in small ways. They are paid in HOURS.

Day-to-day Management

Day-to-day decisions about HOURS are left to Glover, a native of Ithaca who is a graphic designer, journalist and self-styled "community economist." Glover has put more than five years of full-time work into the system, first as a VISTA volunteer through the local credit union, now as a self-employed publisher of *HOUR Town*. He generates his income from selling ads in his paper and from sales of his *Hometown Money Starter Kit*. He claims that he can get about 95 percent of what he needs to live with HOURS.

Glover's duties are wide-ranging. His most time-consuming duty is the editing of *HOUR Town*, the goods and services directory. The bimonthly tabloid, free to the public, also features articles, cartoons, and ideas, and serves as the main communication vehicle among members. More than 5,000 copies are distributed to over 100 sites around Ithaca. Since 1991 hundreds of testimonials and success stories have been documented and published in *HOUR Town*, illustrating how local people have put their imagination to work in trading with HOURS.

Seldom leaving Ithaca—holding to his self-imposed ban on using gasoline-powered private transportation of any kind—Glover dedicates himself primarily to walking and cycling the streets of Ithaca doing outreach, distributing bundles of *HOUR Town*, and providing technical support to member businesses.

I've visited every business in town at least a couple of times... At first some people think you're crazy...After a while they start hearing about it from the paper or the radio. Eventually, a lot of them try it out...We encourage them not to accept too many [HOURS] at first, to learn how to spend them. The Green Star, a large cooperative supermarket, accepts only one HOUR at a time, and only on Wednesdays.

Offering technical support is key, he says, since businesses

who accumulate too many HOURS get nervous about how to spend them and might send shock waves through the system by dropping out or by ceasing to accept HOURS. For this reason, Glover advises new participants on how to spend their HOURS by "Helping [them] write a shopping list." Often it's as simple as calling them on the telephone and reading from the list of goods and services available: bookkeeping, bowling, bricklaying, building materials, bush-hogging, business consulting, cake decorating, cakes and pies, calligraphy, camera repair, candles, car repair, child care, and so on. Invariably people find at least a few things they need among the over 1,500 listings in each issue of *Hour Money*.

Many restaurants accept HOURS—as part-payment on a meal, but one restaurant accepts them for full payment on any number of meals any day of the week. This is because the owner is having major carpentry work done on his home and pays for that in HOURS. Two movie theaters, a video rental store, two grocery stores, and at least 40% of the stalls at the farmers' market also take HOURS. Four lawyers, nine electricians, five roofers, three tax form preparers and "quite a few landlords" take payment in HOURS, according to Meadows (1994), who describes the cycle of trade as follows:

The Science Center sells memberships and admissions for HOURS and uses them to hire a book cataloguer. The book cataloguer spends them on Spanish lessons. The Spanish teacher uses them at the farmers' market.

The stall holders at the farmers' market might then spend their HOURS at the video store, who would use them to hire a carpenter, who in turn would spend some of her HOURS on a family membership with the Science Center, and so on.

HOURS exist in denominations of 2, 1, ½, 1/3, and 1/4-HOUR. The two-HOUR note is printed on paper made by a local craftsman out of cattails, a native plant; a half-HOUR note printed on hemp paper is also available. The currency also features a well-loved local African-American school

superintendent, scenes of historic Ithaca, and illustrations of children (all in contrast to the early white male presidents featured on U.S. dollars).

They're difficult to forge...From what we know, counterfeiters don't bother with anything under a twenty-dollar bill, so we've made our two HOUR note especially hard to imitate... they are printed on paper that's made here in Ithaca, and they each have a registration number. The number is printed a different color each time there is an issue. [They also use a heat-sensitive ink that disappears when touched or photocopied.]...And so the bills circulate, effectively creating employment every time they change hands.

Glover also spends much of his time "movement-building," responding to the many letters, e-mail messages and phone calls he receives from the media and from new and prospective local currency groups around the world. He shares his experience and advice freely with those seeking information and assistance. In addition, Glover also gives individual and group tours of "HOUR Town," as he sometimes calls Ithaca, and has escorted a wide variety of visitors, ranging from Federal Reserve Bank representatives and Japanese television journalists to grassroots activists on vacation.

Effects on Participants

For Richard, the effects of participating in the Ithaca system were clear:

I used to make \$6 an hour, I now make the equivalent of \$10... one HOUR per hour, selling bread at the farmers' market... there's a difference between paying for things with HOURS and paying for them in dollars. It's like saying 'we know the same people, we're part of the same thing'... You can buy fewer things, but what you buy tends to be for fun,

for yourself...I buy wine, I bought a friend of mine a massage the other day. These are things I couldn't have done if it had meant spending dollars.

"Knowing the same people" is a large part of what the Ithaca HOURS and many other local currencies systems try to encourage. An emphasis is placed on what Sahlins and others call exogenous and non-economic aspects of trade. The monthly potluck is one mechanism for this community-building, the newspaper is another. Most of the people interviewed who use Ithaca HOURS indicated that seeing HOURS in a cash register or in someone else's wallet at a store was reaffirming. "When I buy things with HOURS it feels different," says Gabriella, who had just finished her shopping at the Green Star supermarket.

Certain expenditures, such as voice lessons and other non-essentials, feel easier. For my daughter's piano lessons I could probably scrape the cash together, and I would, but for voice lessons for me I wouldn't.

Not all trading has overtones of fun and frivolity to it: "HOURS fed my family last summer," said Hannah to *Ithaca Money*, "for a while there we had no cash at all." Sue, a part-time student, part-time pie-maker, and full-time mother of two, said:

It's really changed the way I see myself...I was being described on television as a pie-maker, as an entrepreneur. Wow! And all I did was bake pies and swap them at the farmers' market until one day somebody paid me with an HOUR. Then I started selling pies for HOURS, calling people every week to see if they wanted a pie, and most of the time they'd say yes...Then I decided I was going to let them call me... Before, I thought, you know, I'm a student, I was going to get a job in some social service agency after I got my degree...I wouldn't be as involved if this were for

fun. I really need the income.

Two of the people interviewed have landlords who accept part of their rent in HOURS. The Alternatives Federal Credit Union (AFCU), offers accounts in HOURS and accepts them for all its fees. Stephanie, who owns a small used bookstore in the center of town, explained:

That's how we made the decision to join the system. We needed a loan to open the store, and we knew we would be able to pay the fee in HOURS...We accept full payment in HOURS for used books. We advertise that we accept 50% in HOURS in the goods and services directory so that we have some way of slowing down our intake if it gets to be too much...We're really happy with the system. It's allowed us to really feel like we're doing something for the community and building up our business as well.

A commercial loan application at the Alternatives Federal Credit Union incurs a fee of US\$300 which is payable in HOURS. Membership fees, annual credit card fees, fees for overdraft, stop payment, and bounced checks are also payable in HOURS. Partial payment in HOURS is even possible on monthly loan payments. The Credit Union has decided to accumulate up to 500 HOURS at any given time and won't accept more until it has spent some. HOURS are accepted by some of the Credit Union's vendors, such as landscapers and cleaners, and are also used to pay bonuses to staff members. One of the AFCU's fliers confirms the organization's unequivocal support: "The Credit Union has participated in Ithaca HOURS since its inception. We've found a multitude of uses for HOURS, so bring 'em in."

In approximately 40% of the stalls at the weekly farmers' market, HOURS were accepted as either half or full payment for such items as bread and pastries, apples, cider, winter squash and crafts. Several stall-holders observed that they are good for business. Tim, a local grower, commented:

People who would normally stick to the three-dollar bag of apples will often buy the five-dollar bag if they are spending HOURS... If I remember one of my biggest days, I sold about a thousand dollars worth of apples and apple cider, out of which were about eight or eight and a half HOURS.

HOURS can be found in the hats of street performers, Christmas stockings, and church collection plates. Restaurant workers may find a quarter-HOUR under a coffee cup as a tip. Douthwaite, who visited Ithaca in 1993, was told of a restaurant that had been burglarized. The thieves had gone out of their way to take the Ithaca HOURS as well as the cash, even though the two currencies were kept in separate places.

Naturally, some businesses refuse to accept HOURS. The idea was just "too different". It also struck some as unpatriotic: "What's wrong with the American dollar?" asked one person. "I don't like it," said a stall-holder in a small downtown mall, "I don't trust the idea." Several small business owners who do not accept the local currency identified the decisive factor as the prospect of an increased accounting load and cashier training (which in the case of the farmers' market is relatively small), the cost of which they felt would offset the benefits of increased sales and inventory turnover. The manager of a cafe in a downtown shopping center said:

Having to keep two sets of books would be more work for me, and I already have plenty...the advantages of getting more business would be totally offset by the increased time I spend on the books.

To address the issue, a certified public accountant and member of the system has devised a simple bookkeeping mechanism for entering both scrip and dollars on the same ledgers, and on petty cash receipts. As for cashiering, Glover recommends the simple practice of keeping HOURS under their like-denomination federal counterparts in the register. For

businesses like ice cream parlors, selling small-ticket items where coin change and quicker service are required, he suggests selling gift certificates, which are purchased in larger denominations, paid for in one lump sum of HOURS and dollars, and are easily redeemed at the register on future purchases.

Stall-holders at the farmers' market who refused to trade in Ithaca HOURS had other reasons for doing so. Many farmers live in isolated communities far from the center of Ithaca, which is where HOURS are primarily traded. Others have budgets that they believe cannot accommodate HOURS. One farmer said that she has to ship her livestock to a neighboring state to be slaughtered at a certified abattoir, and virtually all her other expenses — mortgage payments, feed grinding, fuel and so forth—must be paid for in federal dollars. She didn't think she would have much use for the items in the HOURS directory, which she saw mostly as luxuries. She estimated her amenities budget at about \$50 per year. One person said that her employer, a wine wholesaler who lives in Rochester and dabbles in retail at farmers' markets, had no interest in Ithaca as a community, and regarded the town primarily as a source of business income.

Most of the people interviewed expressed pessimism about the mainstream economy tempered by a proportional optimism about long-term viability of the HOURS:

The U.S. is dragging itself into the age of GATT and NAFTA. Highly-paid jobs in industry are giving way on a massive scale to boring, part-time, dead-end work in the service sector. People are going to have to rely on each other now, and Ithaca HOURS are a part of that. They're a way to make that possible. It makes you feel safer.

As Glover put it, "Government, industry and the big corporations are leaving us behind. That situation is permanent. So, therefore, is our money."

Linkages

The primary reason why people accept HOURS is confidence that they will be able to spend them. Forward linkages (those with whom one next trades HOURS after receiving them) constitute a crucial element of the system. It is also an element that demands members to invest some time, energy, and thought into the slight shifts and adjustments they need to make in the way they think about and spend money.

When HOURS don't circulate, their tendency is to lose value. You can exchange US dollars for HOURS, but not the other way around. This is a safeguard since people might just cash in all their local currency for expediency's sake and effectively kill the system. To get HOURS back into the flow, Glover has sometimes broken this rule and purchased HOURS from traders with too many on hand and spent them again elsewhere.

Some would argue that a further permanent feature of local currencies is that they can buy fewer things than federal dollars, and may be perceived as a second-class currency. A part-time worker in a delicatessen near the central business district that does accept HOURS said:

No, I don't accept HOURS for working here. I have bills to pay and my landlord doesn't know what they [HOURS] are, and they're harder to spend. I wouldn't be interested...Sure, as extra bonuses or whatever, I'd take them. I still wouldn't know how to spend them, but...I'd find out how.

Throughout the history of local currency, as we have seen, a planned and progressive devaluation was what kept a currency circulating, and even today a small accumulation of HOURS may make the holder, who exchanged something of "real" value such as time and effort for them, uneasy. The owners of a nationally famous, cooperatively-run restaurant, the Moosewood, stopped accepting HOURS because they were afraid they would not be able to spend what they took in. As

Glover recalls,

The Moosewood folks only ended up with about one HOUR per person. They just freaked out. You get all kinds: some people will hang on to their HOURS for months and let them accumulate and not bat an eyelid. Others get nervous as soon as they have two HOURS in their wallet.

Not all have reacted as strongly and quickly as the Moosewood restaurant owners, however. The owners of the Oasis supermarket in downtown Ithaca are seeing a steady increase in their supply of HOURS which they can't seem to spend. Explained one of the owners, "So many of our vendors already accept HOURS at their stalls in the farmers' market that they insist on getting dollars from us."

The system has intervened several times to buy surplus HOURS from Oasis at the exchange rate of US\$10 per HOUR. Such interventions must be kept to a minimum, since the only federal dollars the HOURS system can rely on for income come from sales of its Hometown Money Starter Kit (sold to communities throughout North America who are considering starting their own system) and from the VISTA stipend that Glover receives through the Credit Union. Exchange will likely favor federal dollars since the latter are easier to spend, and considering the scale of the Ithaca operation, any consistent buying up of HOURS with dollars might be perceived as a "run on the bank" and would undermine the value of the local currency. HOURS are also sold to collectors of paper money (numismatists) for federal dollars, and bumper stickers and T-Shirts are another source of income. Visitors to Ithaca who purchase HOURS may spend them while in town or keep them as souvenirs.

Exchangeability

From accounting to zipper repair, over 2,000 goods and services are available through the directory (*Ithaca Money*,

1994; Meadows, 1994), and, says Richard, "many other goods and service providers who accept and spend the HOURS aren't on the list. My employers, for example. They never joined and they don't advertise in *HOUR Town*, but they accept HOURS 100 percent and that's how they pay me." Efforts are being made to increase the variety of services offered. Glover was planning to add dentists through the local chapter of the American Dental Association, which would add to the availability of goods and services that include books, doctors, food, jewelry, and the application fee for mortgages.

Acceptance

To compare HOURS with Depression-era scrip, it is good to remember that in the case of Wörgl, municipal support was crucial in making the local currency viable. In fact, through the Tickets for Services Rendered it actually displaced the national currency. Displacing the US dollar is not a goal of the Ithaca system, and the supplementary nature of the HOURS is made more than clear both by the system's literature and by the way HOURS are accepted.

In 1996, the Federal Reserve Bank of Cleveland, Ohio sent a representative to Ithaca. The representative was concerned with the security of HOURS and with tax evasion. She informed a friend in Ithaca of her impending visit, seeking a place to stay. The friend wrote back indicating that if she were coming to shut down HOURS, hospitality would not be extended on this visit. Upon arrival, the representative was given the "HOUR Town" tour and even bought and spent a half-HOUR at a local business. Her concern about tax evasion, intentional or unintentional, was put to rest when Glover informed her that he estimated that US\$150,000 in sales tax and income tax had been collected and paid by businesses from sales made in HOURS. For the time being local taxes are not payable in HOURS, although Glover says there is hope that they may be in the future and he has approached Ithaca's City Hall for preliminary talks.

In several of the Depression-era local currency systems, the participation of a major employer was a key ingredient of success. This is not the case in Ithaca, as it is not a one-industry city. No one employer has a monopoly on Ithaca's labor force. Employees in supermarkets and restaurants generally do not accept HOURS as salary, even if their employers accept them from customers. HOURS can be used as bonuses, however, or as a raise, if a raise in dollars is not an option. Richard was employed as a baker's assistant and accepted HOURS as salary, but only because it meant the difference between having a \$6 an hour job and a one HOUR (=US\$10) an hour job. If HOURS are perceived as extra income, they are welcomed; if they are seen as replacing federal dollars, they are, of course, less popular. As Leah put it, "Low income people tend to be over committed in terms of cash; they might have mortgages or cars or landlords who don't take HOURS."

What it Feels Like

When Tony Savdié visited Ithaca to study HOURS, he stayed with Ellis, one of the members of the system, who offered him hospitality without ever having met him in person. In exchange Tony offered to wash dishes and make a poster, two activities at which he is very practiced. Later on, as they chatted, they discovered that Ellis and his house mate, Mary Jane, were both keen to learn how the subjunctive operates in the Spanish language, a need which Tony had no difficulty meeting, having taught high school Spanish and worked in Latin America for several years. They paid him one half-HOUR for a private lesson. He spent his half-HOUR the following morning on breakfast at a nearby cafe. He earned another half-HOUR the following day, again with a private tutoring session for Mary Jane, who had an exam coming up. He spent that half-HOUR on fruit and pastries at the farmers' market. Shortly before leaving town, he left his last quarter-HOUR as a tip in a restaurant which did not accept

HOURS, where patrons were watching a golf tournament on TV. He explained to the waitress that if he left her HOURS he could afford a much nicer tip. She wondered out loud where she was going to spend it, and he handed her a copy of *Ithaca Money*.

The HOUR that he carried around in his wallet during most of his stay in Ithaca gave him privileged access to a part of the community which a transient person would not ordinarily have. He was reminded of Gabriella, who had spoken to him at the Green Star supermarket, saying:

It has a different feel to it...not at all like buying something from a mail-order catalogue. It feels friendlier. You feel like you can sort of automatically trust the other person, like this is another local person and we're helping each other out. There's a feeling of independence, of control. I know the guy who prints the HOUR notes. And the extra buying power is really nice.

Inclusiveness

Many of the intentional communities of the eighteenth and nineteenth centuries, such as the Shakers and the Hutterites, saw homogeneity as essential for their operation and continued existence. In this age of multi-culturalism, variety and difference are seen not only as a strength but as an issue of social justice. It remains to be seen, however, whether today's local currency systems benefit more from being homogeneous and cohesive, or varied and inclusive.

The Ithaca system doesn't discriminate on the basis of age, disability, marital status or sexual orientation. Anybody can advertise in *HOUR Town*, and after that, it's up to buyers and sellers to negotiate. The policy of discouraging certain goods and services while encouraging others (intended to keep supply and demand in check) have provoked charges of discrimination, but these charges would seem to be unjustified. If a centralized local structure like HOURS is accepted from

the outset, a certain amount of central planning must also be accepted. A varied economic base is as essential for the success of a currency as it is to a form of democratic government. One of the HOURS founders, who was also involved in the erstwhile Ithaca LETS, put it this way:

If too many people start offering babysitting without demand for babysitting, you end up with a situation where a lot of babysitters spend their initial HOURS and never earn any back off the system, and too few people end up having to deal with too much alternative currency. So it loses value.

Transient members of the community such as college students are also discouraged from participating unless they've lived in Ithaca over any twelve month period. A former Cornell student, now a long-time resident of Ithaca, says it would be altogether too easy for a student "to blow [spend] their two HOURS without ever having to accept HOURS in payment for anything, since eventually they leave town anyway." Massive student defaulting in a university town like Ithaca would bring about inflationary pressures, as more and more currency would be floating around representing less and less goods, services and human energy. Says Glover: "We haven't approached the student body at Cornell with the idea."

Although highly integrated in terms of gender, Ithaca HOURS is at the moment a predominantly white, highly-educated institution. This is, of course, partly due to the fact that Ithaca is a predominantly white, highly-educated town featuring a prestigious private university and several colleges. Efforts at outreach to African-American and Latino communities have met with mixed results, as have efforts to include the working poor, and those on some form or other of public support. Douthwaite (1994) offers a clue to the reluctance of a seriously ill-off person to gamble with a local currency in quoting an Eastern European visitor's comment: "Your members are only getting involved to the extent that

they can afford to lose."

Moreover, several community members on public assistance expressed reluctance to participate in "something that may be illegal" (local currency) or to take on the risk of earning local currency if it would mean losing or reducing the amount of public benefits they receive, since entitlements and the amounts awarded are based on a recipient's income. In actuality, of course, local currency is legal, and recipients are not prohibited or penalized for earning money, so long as they report their earnings to public agencies and they do not exceed a given amount per month. In fact, if recipients do earn money (HOURS or dollars) through informal self-employment, they may deduct any expenses related to such employment (such as materials, mileage, phone calls, etc.) from any income earned to arrive at their actual income figure (which may, at first, be nil or insubstantial).

If HOURS and other local currency systems are able to succeed in moving from a middle-class infancy to a classless maturity and become well established across bioregions, people at greater financial risk may feel safer participating in them.

Summary

The Ithaca system can be credited with some major achievements. In terms of longevity, which was seen as desirable by everyone interviewed, HOURS have been in circulation longer than either the Schwanenkirchen or the Wörgl currencies, and longer than any of the Depression-era scrips that circulated in the United States prior to March 1933, except for Utah's "Mormon Money." Although the system presents structural limitations that might affect its future viability, both Glover and the membership seem aware of them and are seeking actively to adapt the system. The decision-making structure provides the flexibility to make the changes when they need to be made and to respond quickly to emergencies. Far from creating a static and institutionalized

intentional community, Ithaca HOURS is a self-proclaimed "work in progress." In its short history, the system has grown and established itself in such a way as to gain widespread recognition as a legitimate community-based initiative (Greco, 1994; Douthwaite, 1994). As the process continues, there is every reason to believe that HOURS will become increasingly acceptable as a medium of exchange in the Ithaca area.

Critical Issues



It is useful to examine in more depth a variety of issues associated with local currency systems. We consider the issues summarized here to be among the most important, particularly for prospective local currency organizers.

Inflation

Throughout the history of money, there appears to have been a search for a "perfect currency," one which, according to nineteenth century London stockbroker David Ricardo, "should be absolutely invariable in value" (Galbraith, 1975). Scrip systems, whatever other goals they may have today, appear to be a continuation of this historical search for a "better mousetrap."

How stable in value are local currencies? Today, prices in local currencies tend to be directly linked to national currencies. Most systems allow prices to be charged in a mixture of scrip and national currency, as agreed upon by buyer and seller, and most systems have a direct exchange rate (e.g., one Ithaca Hour = US \$10.00, one Valley Dollar = US\$1.00, one Blue Mountains Eco = A\$1.00, etc.). If prices increase within the wider system, it follows that there will be inflationary pressures on local currency prices as well.

Anticipating this problem, a community-based group in the Berkshire Mountains of Western Massachusetts headed by Robert Swann attempted to tie its local currency, a scrip called Berkshares, to a locally-produced commodity, cordwood (Fabel, 1987). In so doing, the organizers of Berkshares followed the lead of economist Ralph Borsodi's one-year-long Exeter (New Hampshire) experiment, where the value of a bank-issued local currency, the Constant, was tied to the combined value of a "basket" of thirty commodities including gold, soy beans, rubber, barley, hides and jute (Borsodi, 1989). The basket theory was based on the assumption that changes

over time in the value of each commodity in the "basket" would cancel each other out. The value of some would go up, while others would go down, thus maintaining overall equilibrium in value. The value of the local currency, in this case the Constant, could be compared to the value of the national currency, enabling an exchange rate to be fixed. In Exeter, the theory was tested and for the most part proved accurate. In the case of the Berkshares, however, the price of cordwood experienced wide fluctuations in tandem with the price of domestic heating fuel, a petroleum product whose price is set outside the community. The Berkshare thus ended up being even more vulnerable to external economic fluctuations than it would have been had it tied itself to the U.S. dollar. Tying prices to a diverse basket of locally-available goods is one system that has not yet been successfully tested. This may be one way to make a local currency more independent and less vulnerable to fluctuations and breakdowns in the wider economy.

Perhaps a more common problem experienced in local currency systems is *internally*-created inflation. If, for example, participants find that local scrip is not as useful (read valuable) to them as national currency, they might increase the local currency price of their goods and services, thereby demanding more local scrip for an item than they would demand if the same item was purchased in U.S. dollars. Moreover, since participants can adjust the percentage of local scrip they accept in each transaction, decreased value and liquidity of the currency could mean lowered acceptance percentages (e.g., a trader previously accepting 50% HOURS may suddenly reduce acceptance to 25%). These behaviors can create a chain reaction causing others to change their valuation of local currency and acceptance rates, much like a change in interest rates can change prices and wages when the cost of borrowed money is increased or decreased. Thus the value of local currency vis-a-vis national currency can be gradually debased by its own backers, i.e., the members, as they increase the scrip price of their goods and services and/or decrease the

percentage of local currency they accept. It is also possible they might cease accepting local currency altogether due to its limited use and exchangeability, to loss in perceived and actual value, and to distrust in its future value.

Since no formal price/percentage indexing system that we know of is used by local currency organizers to track prices and percentages, it is difficult to quantify these assertions. For the same reason, it is difficult to calculate how widespread such changes are within a particular system. However, there is strong anecdotal evidence to suggest that these are common phenomena.

Imbalances

What happens if everybody is earning local currency but nobody consumes? What happens if everybody consumes, but nobody produces? This is not a likely situation, as supply requires demand, and vice-versa. Any demand for a product cannot be met without the product being supplied, or the service being performed. Imbalances do occur, however, and must be reckoned with.

Problems in local currency systems arise when some individuals—dentists, carpenters, owners of movie theaters and restaurants—accumulate so much credit that they find themselves unable to spend it, and other individuals—say, a bassoon virtuoso (in the case of a LETS, in which credit is easily obtained)—accumulate too much debit and end up over-committed and discouraged (Douthwaite, 1994; Seaton, personal communication, 1993).

Organizers have discovered some strategies to “unclog” local currency gluts. Those with too much local scrip can give it as change to their trading partners/customers, or they can sell it to those who would like to have more. In the Valley Trade Connection, for example, a cafe owner who was deluged with Valley Dollars and unable to spend them expediently was offered 80 cents (US) for each Valley Dollar by a graphic designer. The designer, in turn, could pay his typists in Valley

Dollars, but at their U.S. dollar face value, thereby earning a 20 cent "commission" on each local note he purchased. Local currency can be put to other creative uses, such as for employee bonuses, tax-deductible contributions, or special projects. Or it can be exchanged, in one instance, for commercial barter credits, which can be used for goods and services offered in another currency system (Mitchell, 1997).

Problems with scrip tend to be related to the amount of currency circulated: if too much accumulates and stops circulating, it loses value as well as the confidence of consumers.

Questions about over-production and over-consumption apply not only to scrip systems, but to LETS as well. Croft et al. (1992) and Linton (1988), who sought to disseminate the idea of LETS and convince people that it was worth trying, are not entirely explicit on this point:

Even if individuals withdraw from a system, or members move elsewhere, because those people with whom they have traded have already been "paid" [i.e., their accounts have already been credited], there is no immediate individual loss [and a debtor's debt is written off] (Croft et al., 1992).

If a LETS debit is in fact an unfulfilled commitment to put energy back into the system, then a defaulter is in fact draining energy and skills from a community. This may not represent an "immediate individual loss," but nevertheless can be expected to introduce a sluggishness into the system and ultimately, if the irregularity becomes generalized, or if one defaulter runs up too high a debit, total breakdown. In the case of Michael Linton's original LETS in British Columbia, Douthwaite reports that when it closed down, Linton himself was running an overdraft in Green Dollars equivalent to \$17,500 (1994).

In absolute terms, LETS is an egalitarian system of distribution: each person produces what they can and consumes what they need. If one consumes more than what

one needs, there will be a series of social pressures—sometimes as subtle as a phone call from the coordinator with a job offer—coming from the community for a person to increase their contribution, and to do something about their debits. Individuals who offer low-demand items—say, bassoon lessons—are encouraged to diversify their range of offerings.

Social pressures to actively participate naturally will be stronger in smaller towns or rural areas like Westport or the Blue Mountains. In communities with more mobile populations, where social isolation is already an entrenched problem, peer pressure may not be a sufficient disciplinary mechanism. Some systems put a cap on individuals' spending, like an overdraft limit on an ordinary bank account. Others make peoples' balances known on demand or on a monthly basis, so that members can choose not to supply a member who appears to be substantially over-committed, that is, who has accumulated too much debt.

The Social Contract

The health of local currency systems depends almost exclusively on the level of trust which exists between community members. Like nearly all currencies today (now that the gold and silver standards are no longer used), local scrip is backed entirely by the promise of participants to accept it as payment at an agreed upon value. Local scrip is, in essence, a sophisticated system of IOUs: one renders their goods and services in exchange for the currency trusting that they will be able to spend it at full value for another participant's goods and services. The fact that this IOU (with the "U" being plural) is not typically redeemed with the original bearer, but with another trader, someone who may not even know the original bearer, demonstrates the various levels of trust which must exist among individuals within the trading community. This social contract is what is meant by the words found on many local currencies: "In Community We Trust," or

"In Each Other We Trust."

In most local currency systems with which we are familiar, the social contract is for the most part an informal one. Participants are typically asked to sign a registration form upon joining, agreeing to accept the system's scrip. Some systems also request that new members remain in the region for at least one year to ensure that their offerings are available for exchange. Prices, wages, and amounts and percentages of scrip accepted per transaction are usually left to the participants to determine. The quality of goods and services and the fairness of the exchange are treated similarly. Some systems, being membership organizations, have by-laws governing the conduct of trade, which in theory could be enforced. And, should these be absent or insufficient, governmental laws that apply to trading activity may be utilized.

In considering the social contract, one might ask several questions. What is to stop a person from spending the local currency they receive upon joining a system and then refusing to honor that very same currency when they sell their own goods and services to another member? What if they cheat or lie? What if the service or goods they trade are defective or inferior in quality? In the short term they may have gained, however illicitly or immorally. And in the long term, their behavior might deprive them of future relations or trade with those whom they mistreated and other participants, who may have been cautioned. Illicit acts have wider implications for the community of traders as well, for when trust is violated by one individual it can multiply to undermine the trust that members place in the entire local currency system.

Scale and Composition

Following in the footsteps of philosophers such as Leopold Kohr, Peter Kropotkin, E. F. Schumacher, Mohandas Ghandi, and Rudolf Steiner, local currency activists have been exploring a number of questions in their efforts to engender

active and healthy local currency systems. What is the definition of “local?” What are its geographical limits? What is the optimal number of participating community members? What mix of gender, ethnicity, class, skill, ability and other aspects make for an active and healthy system?

Local currency systems come in many shapes and sizes. Some are limited in area to include just a few households, an apartment complex, a city block, or a neighborhood. Others span a town, a county, or several counties. Geographic scale is determined by organizers and participants based on equally diverse criteria: a women’s group within a university, a child care cooperative of parents who work together, a public housing project, a neighborhood of several blocks, an industrial district, a downtown, a business association, a “bioregion” (i.e., a region whose boundaries are ecological, such as rivers, valleys, hills, forests).

Several key factors to consider in evaluating the scale and composition of systems include diversity, proximity, affinity, and membership size. Diversity here refers to the medley of goods and services offered for trade by participants. If there is an imbalance of supply and demand for participants’ offerings, the currency—and the system itself—can lose value, as we saw above, where, if there are too few useful places to spend the scrip, as opposed to too many, the currency can become mal-distributed, leaving a few participants with too much and many with too little or none at all. Under these conditions, a system can operate at a limited capacity at best. Diversity also comes into play in terms of membership composition. Are most participants residents, hobbyists or businesses? If they are residents or hobbyists, how able are they to make their offerings available to other members if they are otherwise employed and not in true need of local currency income? If they are a business, are they full- or part-time? Are they based at an office, storefront, factory, or home? Do they have employees? Who are their primary customers? Where can they use their local currency earnings?

Proximity refers to the geographic distribution of

participants, goods and services within a system. For example, in the Valley Trade Connection (VTC), there are only two members who offer haircutting, and both live in the Amherst area. It seldom happens that members living in Shelburne, some 40 minutes to the north, travel to Amherst for a haircut simply so they can use Valley Dollars to pay for it (Mitchell, 1997). Proximity can effect both the amount of trading activity that takes place between participants as well as the strength of the social contract between traders. For example, if participants spend their lunch hour on main street every day, they may choose to conduct their trading with nearby merchants. From such regular interaction, trading partners may develop trust and be better able to hold each other accountable to trading agreements. These factors help explain why, in the case of the Valley Trade Connection, we see a greater volume of trade within areas where there is a high concentration of members, such as within a town or an intentional community, as well as fewer complaints about the quality of interactions among trading members.

Affinity refers to relationships based on shared goals, interests, needs, beliefs, abilities, membership, or identity that are not necessarily determined by proximity. As one example, the organizers of Brooklyn Greenbacks, a new local currency system based in Brooklyn, New York, received a number of inquiries from residents from "the City" (Manhattan), who wished to join the system because they were attracted to the concept of local currency (Rachel Teichler, personal contact, 1997). But since membership in Greenbacks was limited to Brooklyn residents, the organizers were unable to accommodate them; proximity came before affinity. Such affinity is becoming more common in First World nations as transportation and communication diminish geographic limitations among people. It is common to find people who are closer in affinity to a 12-step group, a special interest group, or even a media figure, than they are to their next-door neighbors or co-workers. This feature has important implications for local currency organizers, for in using local currency systems

as a means for building community, they must grapple with what affinity groups they include (or exclude) and what new affinities they wish to foster among participants.

There is also the issue of membership size. There is considerable debate among social scientists and community development workers about "ideal" population sizes for communities, and for intentional communities in particular (Arthur Keene, personal contact, 1996). Membership size in local currency systems has implications for diversity, proximity, and affinity, among other things. Womanshare in New York City, for example, has purposely limited membership to 100 members and prefers to have a waiting list, rather than risk losing the intimacy its members share. That membership is also limited to women who agree to trade their goods and services for equal pay certainly adds to the affinity shared and developed among members (McCourt, personal communication, 1997).

Greco (1995) believes a minimum membership size of approximately 35 people ensures a sufficient diversity of goods and services. Glover (personal communication, 1996), sees nothing amiss in a membership of over 1,000, most of whom live in Ithaca-town. On the other hand, when the members of the UWN Resource Pool in Massachusetts decided to expand from a group of 70 members (mostly women who worked at a university) to 500 members of both genders who live throughout 42 towns, UWN's Founder, Guru Nam Kaur Khalsa, exclaimed, "I used to know everyone, but now I don't know even half of our members. Something's missing for me" (personal conversation, 1996).

The impact of overall membership size may, however, have less to do with size *per se*, and more to do with how the system is organized. In the case of the VTC, a relatively large membership has a number of "sub-units" in which members share membership in other groups, such as a co-housing neighborhood, housing cooperatives, a business incubator, and a church. It remains to be seen what the long-term impact of size is on the success of systems.

Using these criteria, the ideal configuration for a local currency system, it seems, would be a system with a limited geographic region and a relatively small but diverse membership offering a range of goods and services, and with members enjoying relationships of both proximity and affinity.

Gender

In her book, *Gender Planning and Development* (1993), Caroline Moser proposes a hierarchy of needs for women, ranging from immediate practical needs such as the need to feed oneself and one's children to more long-range needs—power in the negotiation of the division of labor within the home and access to political decision-making outside the home. She argues that programs that address certain short-term needs may have negative long-term strategic repercussions on women's overall position in society. The five ways Moser regards women in the development process are variations on the themes of status quo, reform and structural change that center around an analysis of oppression. Although Moser writes primarily for practitioners operating in developing countries, her framework provides a useful lens through which to assess the effect of local currencies upon women as a group.

Scrip underscores the oppression inherent in the way multinational corporations or governmental structures treat individual communities. However, scrip systems, too, turn a blind eye to disparities within these communities. The immediate effect of scrip is increased liquidity, that is, more money circulating in the community. Scrip systems claim no other effects upon the structure of the community than the potential for increased trade. More people will become entrepreneurs and start small businesses, and women are always to be found in that number. But all other things being equal, i.e., existing patterns of oppression within the community and the household remaining unchanged, women are not particularly advantaged. Fiona, a single mother and part-time nurse's aide, who had pondered her decision to join

the Ithaca HOURS system for a long time, finally decided to take the plunge. "Frankly, I need the money," she said. Her reservations about the system centered around how increased liquidity, the goal of the Ithaca system, would affect women.

It's...not addressing issues of social justice. Women are still at the bottom of the local economy, just like they were with dollars. HOURS might even reinforce the status quo which keeps us down.

In Fiona's view, the scrip system would fit into Moser's efficiency approach, where practical needs are addressed by reliance on women working a triple shift (e.g., holding a job outside the home, raising her children, and maintaining the household), and their seemingly unlimited supply of "free time." But this approach leaves wider strategic needs unaddressed. A woman still doesn't get *credit* for keeping her house clean or rearing her children well. While scrip disregards the inner workings of power within the community, LETS ignores the gender division of labor within the household. LETS may be a tool for grassroots organizing (Swann Witt, personal communication, 1994), but as a reward system for the unpaid economy it still has limitations.

Edgar Cahn's Time Dollars, however, could provide a remuneration system for women in the same way it provides rewards for such social services as unpaid caring and domestic labor. Such a system would be revolutionary, since few societies fully recognise or reward women's unpaid labor. In First World nations, at least, no woman gets a gold watch and a pension after raising a family for thirty years. Cahn's system has the potential to change that. What if for every year of child-rearing one were entitled to a year of light housekeeping and companionship? A local currency system might want to establish as one of its components a time-credit program for caring and reproductive activities, where a parent would get credit for looking after their child, which would be redeemable in caring and maintenance services later in life. It would not be

complicated to set up, and would ensure that women requiring special attention (such as women who are frail, aged or with disabilities) would not get "dumped" from a local currency system when they become unable to produce or perform services. It would also offer public, remunerated recognition of women's contribution to society.

New hybrid local exchange models formed from LETS, Time Dollar, and scrip system models offer a glimpse of what this new generation of systems might look like. In New York City's Womanshare program, every member agrees to charge no more—and no less—than one hour of credit for one hour of work; it makes no difference if a member is providing dentistry or child care (McCourt & Wilson, 1993). Meanwhile, in St. Louis, Missouri, a non-profit housing organization has established a Time Dollars-type system in which its primarily low-income members have the option to spend credits earned for performing services (also on an hour for hour basis) both for other members' services and for goods at a membership-run store stocked with donated food, clothing, household items and appliances (Kilborn, 1996).

Job Creation

Employment outcomes for some members contrast with Depression-era economic development strategies. During the Depression, large numbers of workers found full-time employment in the Schwanenkirchen and Wörgl (Germany) systems, but most of the people participating in systems in Ithaca (New York, USA) and the Blue Mountains (Sydney, Australia) are involved in art, crafts, services and production on an individual and primarily part-time basis. From a look at various goods and services directories, one does not get the impression that large numbers of laborers are being put back to work in full-time jobs, either through self-employment, or as employees. One member of the Ithaca system told me:

I don't know anybody who's on welfare and trading in

HOURS. [There are] Lots of low-income people, people on food stamps, war tax resisters and all that, but [there are] no...welfare moms or whatever...Sure, I don't know everybody, there are about a thousand people trading in Ithaca HOURS.

Kenn Clift explained that the objective of Fairfield LETS in Australia was not to reproduce former industrial patterns of employment:

The idea isn't to replace the closed steel mills with open steel mills...why should people spend their lives doing boring work when they can actually make a living doing things they like to do? Anybody who can wake up in the morning has something to offer others... It doesn't mean some dreary nine-to-five death trap...

Poverty

In evaluating local currency systems as a whole, it is apparent that the paucity of local goods and services that serve basic needs is a barrier to greater participation by the poor. What accounts for this absence of basic local goods and services? The main reason, according to Kentucky writer and farmer Wendell Berry (1988), is that many local economies have become "colonies" of the national and global economies. The problem with the relationship of local economies to these larger economies is that the larger ones slowly and seductively weaken the ability of communities to meet their own needs. In this way, communities become dependent on distant corporations, banks and governments for their sustenance. In a diminished local economy, where people struggle to meet their basic needs (food, clothing, fuel, housing, medical care), many people strive to trade their labor or goods for the highest return possible (which is not very high due to decreasing real wages in the local labor market). Exchanges that do not offer the highest return are less favored as a rule, and a currency which

is unable to be used to meet basic expenses is likely to be perceived as less valuable than legal tender (which can be easily spent on such expenses), and on direct barter.

Thus, local people living on a subsistence budget are likely either to trade their goods and labor on the open market where highest return is possible, if they can, or to trade through the informal sector via direct barter. Scrip or LETS may have less appeal to this segment of the population because the currency is more difficult to spend.

Another reason low-income people may be reluctant to become involved in local currency systems is because they fear the loss of any public assistance they may be receiving. One of several instances we encountered was of a woman member of the Valley Trade Connection. This woman declined to be interviewed by the press about her participation because she was afraid that the governmental agency from which she received benefits would discover her local currency earnings and dock her benefits (Diane, personal contact, 1995). This was in spite of the fact that she was legally permitted to earn extra income without risk of losing her benefits.

This said, hybrid local currency systems may present promising options for many low-income families (especially single-parent families) affected by welfare reform policies currently sweeping through the U.S. These policies place a limit on the duration of welfare benefits while requiring all recipients (except those with young children or with disabilities) to work at least part-time or perform 20 hours of community service per week. Given the non-taxable status of income earned in Time Dollars systems, it is possible that welfare recipients could utilize such systems to satisfy their community service requirements, while at the same time learn the skills and build the networks they need to make a successful transition from welfare to work when their benefits run out.

Ethnic Diversity

Local currency systems have been criticized for their mostly white membership. In culturally diverse communities, people of color and from non-English-speaking backgrounds tend to fall into the lower income brackets, and thus should represent a target group. Paul Glover of Ithaca HOURS admitted that making the local currency system reflect the community's cultural diversity is an on-going challenge:

I make sure there are pictures of Blacks and Latinos in all the bi-monthly goods and services directories, to show that everybody's welcome...But the African-American community hasn't participated to the extent that we would like. We need a more deliberate approach.

One idea of Glover's was to honor the late Beverly J. Martin, a well-loved African-American-elementary school principal in Ithaca, by issuing commemorative one-HOUR notes bearing her portrait (in contrast to federal notes which bear the portraits of slave-owning former presidents Washington, Jefferson and Hamilton).

One white Anglo-Australian member of the Blue Mountains LETS in Australia said she believed that

The organizers work hard to cultivate an inclusive image... but I don't really see it. It's still mostly white English-speaking people. I think perhaps we don't have the numbers of immigrants and refugees that there are in other parts of Sydney, or perhaps the idea is still too new and untried and people are waiting to see if it works...immigrants...have more to lose... they're more cautious. You can't blame them.

The Valley Trade Connection has had a somewhat easier time in involving non-white participants. African-American, Asian, Native American and Latino community members have

taken part, as have a number of immigrants and refugees, from places such as Tibet, Pakistan, Iraq, Ethiopia, Puerto Rico, Eastern Europe, Cambodia, Brazil, Cameroon, Canada, Jamaica, and Mexico. Such diversity may be explained, in part, by the region's social mix. Though the Valley is over 95% white, its farms and factories have long attracted African-American and Latino populations to work and settle here. The socially liberal atmosphere created by the presence of five colleges may be responsible for bringing the small, but visible, mix of non-white groups to the region.

One example of how the VTC has tried to reach out to such diverse groups is its sponsorship of a "Celebrate Diversity Festival" in February 1997 which it organized with six other community groups. The event, held at a community theater, brought together over 700 people for 12 hours of exhibits, live music and dance performances, international foods, and trading of locally-made products.

As for why they participate in the VTC, one member, Gyepi Sam, originally from Ghana, explained:

I grew up in a small village where money was scarce and everybody bartered. It made us all very interdependent and tightly-knit. I missed that (personal communication, 1995).

On the other hand, some recently-arrived community members, from China and Cambodia, arrived in the community with an embedded sense of community intact and declined to participate in the VTC. They formed their own barter networks and did not see the need for another. The existence of such informal networks must be factored in and respected by local currency organizers.

Ideological Diversity

Curiously, local currency appears to be ideologically indefinite. Actual scrips from around the U.S. might bear a picture of a rifle and a quote from the Old Testament (as is the

case in McKinney, Texas) or the motto "feminism" and a socialist- realist school picture of a barrel-chested manual worker looking off into a bright collective future (as with Kansas City's Barter Bucks). Indeed, support for "free," "decentralized" or "democratized" money comes from a number of different positions across the political spectrum.

For the free-market Right, who struggle for an end to what is essentially a monopoly on a state contract (the production of money by the Federal Reserve Board in the U.S., for instance), local currency is an intrinsically desirable thing (Palasek, 1989). This anti-monopoly sentiment also comes from free-market advocates unable to resolve why some private institutions are allowed to issue money and others not (Hayek, 1976; Cooper, 1989). A Marxist analysis might deplore the subsidizing of the banking sector by the state, and welcome the creation of bounded systems where workers recapture their own surplus labor. Libertarian decentralists (Fabel, 1987; Swann, 1990; Morehouse, 1989) place local currencies within a new anarchist agenda. War tax resisters, meanwhile, see local currencies in the same way as cash: as a way to deprive the Pentagon of its tax dollars and "starve out" the military-industrial complex. From the community perspective, left-leaning and centrist organizers see the potential for local currency systems to assist traditionally disenfranchised people in gaining access to decision-making, as well as spending, power (Croft et al., 1992).

Local currencies, as we have seen, are also a feature of the growing environmental movement inspired by "green economics" thinking, which moves back and forth along the left/right ideological axis. As early as 1984, the Economics Committee of the North American Bioregional Congress included local currency in its New Life Farm resolutions, aimed at "greening" the economies of regions. So far, the wide spectrum of ideologies exhibited by local currency enthusiasts seems to have played in favor of the movement's continued good health.

Legalities

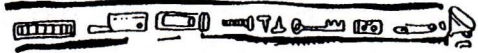
Each type of local exchange system presents different legal implications for practitioners and these will vary from nation to nation. The U.S. Constitution, for example, permits communities and individuals (but not states) to issue their own paper currency, but only the federal government is empowered to mint coins. By law, local paper money must not visually resemble legal tender or be printed in denominations of less than U.S. \$1.00 in value. It must also be possible to translate the currency's value into a federal dollar value to enable the Internal Revenue Service to determine participants' taxable income. Direct, indirect and split barter exchanges between participants (where no currency is exchanged) are also subject to this requirement. Exchanges of a professional nature using scrip or barter are subject to the same tax laws governing professional exchanges in which national currency is used. Since there is no centralized record-keeping of barter or scrip transactions, and since scrip is not typically able to be deposited in banks, trading activity using local currency could possibly go unreported.

Computer- or ledger-based exchange systems, in which credits and not scrip are used, have other implications. For example, Time Dollars systems have been exempted from income tax requirements in the U.S. because they involve the exchange of services of a personal, not professional, nature. LETS, on the other hand, are required to furnish each participant and the federal government with records of exchange activity. This enables participants and the government to determine if any income tax is owed. A more detailed account of legalities of local currency in the U.S. may be found in Lewis Solomon's book, *Rethinking Our Centralized Money System: The case for a system of local currencies*.

Elsewhere, in the U.K., Ireland, New Zealand and Australia, for instance, LETS are legal and, for Britain at least, income tax requirements for participants are waived. In

Germany and Austria, local scrip is patently illegal, though not in several other European nations. In Latin America, Africa and Asia, where national law is commonly based on European or U.S. constitutional law, it is likely that the issuance and use of paper money and coinage is similarly regulated. However, it may also be possible for local currency to “slip through the cracks” of the law because law-makers did not anticipate rivals to their national currency. If the private or community issuance of such media of exchange is in fact illegal, current legislators may or may not be unaware of the laws or in other instances may simply be unable to enforce them. In Zaire, for instance, some communities have taken the risk of resuscitating previous issues of regional currency (which are no longer *legal tender*) because their current national currency had become so debased by inflation (personal communication, Ndabaruta Ali Kabirigi, 1996). However, the issuance of a true local currency would undoubtedly bring attention from governments and may be seen as subversive in many countries. A colleague from Bangladesh, for example, was certain that the issuance of local currency would be seen by the government as a threat and be violently repressed (Mainus Sultan, personal communication, 1995).

Conclusion



The modern-day local currencies examined in this book have existed for just over a decade. They are undergoing a period of rapid growth, experimentation and learning. They have applied aspects of past models, notably from the 1920s and 1930s, adapting them to the contexts within which they currently evolve. In the thirties, the world's resources were believed to be infinite, today they are not. Whereas unemployment was once seen as problematic but remedial, it is now believed to be an unavoidable and intrinsic component of capitalism.

The beginning of a counter-hegemonic discourse on economics is being generated, not only at the level of a community's interaction with larger economic forces, but also within the community itself and perhaps even within the household. Fairness is encouraged as an operating principle, personal contact among neighbors is fostered, and the alienation and impersonality that beset particular neighborhoods is often overcome. In the communities examined in this study, people were found who felt that their quality of life and spending power had been positively influenced, that their social networks had widened, that their sense of belonging had increased, and that, to varying degrees, feelings of helplessness had given way to self-confidence and empowerment.

Scrip, Time Dollars, and LETS, as supplemental economic systems for small communities, have had a positive impact on the lifestyles, incomes, career expectations, social networks, and general quality of life of their members, from incidental traders to those actively involved. They function as grassroots organizing tools and as micro-business promotion devices. They reduce mainstream un- and underemployment, contribute to a sense of community among the system's participants, and respond in positive ways to people who are disillusioned with the profit motive mentality and uncaring nature of western

consumer societies. Social benefits center around an increased reliance upon local skills and energy, and a better distribution of these community resources among their residents. No one who knew much about the projects felt that their effects were negative, although some participants felt that either scrip or LETS was a superior system. Members felt that their particular system enhanced their individual well-being. Furthermore, in the case of Ithaca HOURS and LETS, good progress has been made in their exchangeability and acceptability by the population at large, which generally felt some confidence in the currency, accepted it in business (particularly on slow days), and paid bonuses and raises that were deserved but would otherwise be unaffordable.

So-called Third World development has demonstrated that no whiz-bang technical gimmick can be uniformly applied on top of existing local cultures without the accompanying implication that the local culture is somehow deficient. It is tempting to see such a complete, coherent package as a LETS or a scrip system as *the* solution, but a word of caution is suggested. A "perfect" system, superimposed on local cultures regardless of local conditions, carries with it the assumption that local cultures will always have a way of accommodating this perfect system, a scrip-shaped hole, as it were, waiting to be filled by a scrip-shaped program. This deficiency model might be uncomfortable for organizers to adopt if they view community development as a process based on people's strengths and realities, rather than in externally-determined problems and shortcomings. Croft et al. are careful to distance themselves from Linton on this point.

Reliance on imported technology, as we have learned at the expense of many poor countries since the Green Revolution, can be disastrous. Sometimes, quite simply, it doesn't work as well as the low-tech structures it is meant to improve or replace. Linton's LETS computer software (one of many packages available) is not necessarily the only tool for keeping track of members' transactions. In most situations, a notebook, a pencil, and an abacus might be more appropriate.

Those organizers who have initiated successful systems have published how-to materials that can be purchased by other groups who wish to explore the idea (see Selected Resources beginning on p. 83). The enthusiasm for local currency observed in this book suggests that the concept is probably exportable to any area, rural or urban, if there is a core of hard workers convinced they can make it work. Ithaca HOURS, although it has shared its model and ideas with over 850 other communities through Glover's Hometown Money Starter Kit, derives much of its strength and local credibility from the fact that residents perceive it not as an imported Bavarian model from the 1930s, but as a homegrown initiative. Glover himself is a native of Ithaca. The underlying principle of Ithaca HOURS is self-reliance, something not easily exported, although some technical aspects of issuing a scrip in a community might be. The variety in scrip systems around the U.S. testifies to the fact that only certain technical principles are required to make scrip viable. Everything else, including organization and infrastructure, is subject to local conditions.

LETS appears to be a much more complete package, although some insist that "differences in operation are to be encouraged, as they contribute to the...diversity and success of LETS as a whole to meet local needs" (Croft et al., 1992). A number of small departures from the Canadian model are also documented by Croft. Overall, LETS is seen as having "a definition" which should be respected (Seaton, personal communication, 1994), though there is much discussion of developing hybrids from scrip and LETS to gain the benefits of both. In practice, hybrids have yielded few sustainable models to date.

The existence of vigorous local trading systems, such as Katoomba's and Ithaca's, shows that ordinary men and women can, in the absence of a caring and compassionate social contract, make their own. Un- or underemployed people who are stigmatized in the current economic system not only can recover a sense of self-worth and feel some measure of control—but actually build a sense of self-reliance and pride.

These cases suggest there are alternatives to participation in a demoralized reserve army of unemployed, living in a permanent state of anxiety and competition. They show how to establish trading systems that do not carry the mainstream message that our jobs are expendable unless we behave, tighten our belts, and consume ourselves into personal bankruptcy.

There is clearly a danger that participation in a local currency system will further marginalize those already marginalized by diverting their energy and efforts away from integration into the mainstream. Moser, for example, warns that development projects which do not address women's strategic needs may exacerbate their marginalized status. While there are certainly those among the marginalized who are resigned to their condition as inevitable, there are also those who struggle to join the mainstream. The latter, including a significant proportion of women, will distrust any economic development scheme that they fear will institutionalize their marginality or threaten their position in society, however tenuous that position may be. Adopting any sort of measure that diminishes a community's dependence on outside systems is bound to have a marginalizing effect. Critics of capitalism propose, however, that marginality is one of the mechanisms that capitalist systems employ to keep themselves going, and that in the absence of strong opposition, it will continue to exist.

Whether marginalization in the context of local currency systems is a good thing that strengthens community self-reliance and interdependence, or a bad thing that keeps the poor in their place, is clearly an issue in need of further debate. With the collapse of capitalism's only imaginable competitor, socialism, all manner of alternatives lumped under the socialist label are in danger of being swept aside. If indeed, as even the most sober analysts have found, capitalism and marginality are here to stay, marginalized individuals in the affluent society are faced with a choice: be happy and productive at a lower level of consumption, or let the denial and self-delusion push

the individual to "try harder"—unsuccessfully, for the most part—to conform to the dominant capitalist mythology, and to do what reserve armies do: march this way, march that way, and then go home to an anaesthetized existence of alcohol, Valium, and rented videos.

If local currencies do, in fact, help create an undesirable two-tiered system of first and second class people operating first and second-class currencies, we must ask whether this is avoidable in the context of social units in rich nations of the twentieth and twenty-first centuries. Certainly those on the margins are given the opportunity to live more fulfilling lives in communities that they would create and nurture themselves, rather than engage in the futile attempt to access a structurally inaccessible "mainstream." Also, it is plausible that a person will advance more easily from second- to first-class status in their own community than in an uncaring global market populated and controlled by "economic men."

Whether or not local currency systems can contribute to a community's well-being, combat the poverty syndrome, and raise the standard of living in neighborhoods trapped in extreme poverty has yet to be statistically determined. Ithaca, for instance, has a highly educated, white, and relatively well-off population, but would a scrip system thrive in a poor African-American neighborhood in the city of Los Angeles? How would the model have to change to accommodate highly transient populations? Can such a system be successful in culturally heterogeneous communities?

The systems work well in Ithaca, New York and the Pioneer Valley of Western Massachusetts, which are full of talent and have a dedicated and resourceful core of organizers. The poor have no less ingenuity or resourcefulness, but they do have a slimmer margin of economic security with which to gamble. Their participation will no doubt be contingent upon more guarantees of reliability than a new system is in a position to give. A deliberate effort must be made to reach the more urgently deprived, and identify their strengths and potential contributions. If university students cannot muster

enough pluck and energy to benefit from Ithaca HOURS, how might Spanish-speaking migrant farm workers or homeless individuals participate? Moreover, how might they be included in the decidedly empowering process of actually creating systems?

Relatively little has been written about local currencies, and the members of present-day systems depend on each other for building theory and better practice. Several books and periodicals discuss local currencies, but in little depth. In 1997 the E. F. Schumacher society launched *Local Currency News*, for those involved in different systems to share ideas, and to enhance and broaden exchanges begun in its first-annual conference in 1996. This conference brought together local currency organizers from throughout the world for the first time. By far the most active sharing is now taking place on the Internet and by mail, fax, and phone.

Further Research

With decreasing public support for community economic development (CED) and increasing competition among community organizations for scarce foundation dollars, organizers must strengthen the case for local currencies by being able to demonstrate more conclusively that local currency systems have a proven impact on local economies. Funders, current and prospective organizers, and local sponsors all want to know the long-term prospects of communities who become involved in the local currency "movement." Below is a sampling of questions whose discussion may contribute to the long-term viability of local currency systems in promoting community economic development. Beyond any implications they may have for the funding of local currency projects, a discussion of them will in any case strengthen our work.

Success is measured in fairly abstract terms when one speaks of "changing lives for the better." Criteria for what constitutes a successful local currency system continue to be

primarily qualitative. Legitimizing LETS and scrip with respect to institutions such as tax, welfare, and funding institutions will require using quantitative indicators to back up the qualitative information. Does the currency issued by the community truly “add” new wealth to the community or does it merely replace wealth which is created by locally-spent federal currency? How much of the economic activity among participants is attributable to the existence of local currency systems? How much tax revenue does local currency-based trading generate?

A study that examined levels of an individual's local activity as measured by the amount of trade or number of transactions would yield a reliable quantitative indicator of individual participation in the life of the community. For comparison, new activity versus pre-participation in the system would indicate to what extent self-reliance was being achieved. It would show, for instance, how an individual's spending or employment patterns had changed, and if imports were being displaced in favor of local products. The recorded nature of LETS transactions would make quantitative research as simple as analyzing the system's database, although prior, non-recorded federal currency spending activity would be difficult to determine, making comparison problematic. Scrip systems seeking these data could use an action research methodology to assemble statistical data via a questionnaire.

Other areas of inquiry might include measuring changes in levels of trade for small local businesses, changes in rates of failure for new enterprises, and a study of turnover rates for businesses operating within the local currency system as compared to businesses that restrict themselves to the national currency. Does scrip influence buying behavior? What impact do local currency loans have on job creation and micro-business growth? How many “micro-businesses” can a local economy support if these businesses serve primarily local customers? Would an increase in micro-business activity (likely accompanied by a decrease of traditional employment options) precipitate a general decline in income levels?

Statistical analyses through local chambers of commerce and trade associations may constitute a good first step in this direction.

Much of the research involving these questions will be extremely difficult given the nature of informality in the economic and social relationships within and around local currency systems and the blurry boundaries between local, regional, national, and global economies. There is also a time factor to consider. The impact of local currency systems may take many years to assess and the dizzying rate of socio-economic change occurring in the 1990s will make it no easier to control for all the variables that will come into play over the course of long-term research. New research tools must therefore be developed and applied to a wide and diverse sample of local currency systems over a longer period, first to establish a baseline, then to undertake ongoing research and analysis.

Closing Thoughts

The French poet Jacques Prévert once asked what would happen if they declared a war and nobody showed up. Local community-based economic systems ask the same question of capitalism: Instead of spending our lives making somebody else wealthy by working for starvation wages at data entry or fast food jobs until we become blind as bats and paralyzed with repetitive strain injuries, what if we just stayed home? What if we produced what we needed in our own neighborhoods, with our own neighbors, in our own time? Non-participation would have a recessionary effect on the mainstream economy, no doubt, but recession seems to provide a fertile ground within which to grow useful, local economic alternatives that make better sense than the ones they replace.

It will be interesting to see the local exchange movement as it matures. By its nature, it will probably remain a small-scale phenomenon alongside a larger dominant economic

system. Why? First, our economy is becoming increasingly centralized, diversified, large, and transnational in nature. This ties communities ever more tightly into dependency on distant producers and providers and, thus, to the whims of powerful centralized decision-making entities. Second, compared to convenient new forms of money, such as digital cash, Internet currencies, and credit and debit cards, the logistical demands of LETS and Time Dollars may prove overly burdensome. It may be that these local currency systems may need to adopt some of the technology which makes mainstream forms of money more convenient. As for scrip systems, it should be noted that even today less than 10% of all financial transactions, at least in rich countries, are conducted with cash. This number is certain to decrease with the continued rise of electronic media of exchange.

There will always be a need for local exchange, however, since we need local mechanisms (formal and informal) for trading with each other, in our communities, regardless of globalization. Increased unemployment, underemployment, and local deficits with the national and global economy create the local scarcity of federal money, and, therefore, the need to develop stronger local exchange systems will become indispensable to our communities. This is especially the case when our national economies and currencies begin to fail.

The philosopher and essayist Alan Watts, not generally looked to for economic analysis, wrote an essay in 1968 called "Wealth versus Money." In this essay he formulated the following metaphor for the crash of 1929:

One day there was a flourishing economy, with everyone on the up-and-up; and the next, unemployment, poverty and bread lines. What happened? The physical resources of the country—the brain, brawn and raw materials—were in no way depleted, but there was a sudden absence of money, a so-called financial slump. Complex reasons for this kind of disaster can be elaborated at length by experts on banking and high finance who cannot see the forest for the trees.

But it was just as if someone had come to work on building a house, and on the morning of [the Crash], the boss had said, "Sorry, baby, but we can't build today. No inches." "Waddy mean no inches? We got wood. We got metal. We even got tape measures." "Yeah, but you don't understand business. We been using too many inches and there's just no more to go around." A few years later, people were saying that Germany couldn't possibly equip a vast army and wage a war, because it didn't have enough gold...Money is a way of measuring wealth, but is not wealth itself.

If, as Watts so ably expressed in 1968, there are communities in the world in penury of inches, perhaps we are not amiss in thinking, on the brink of a new millennium, that the time has come to invent the centimeter.



Appendix: Notes on Methodology

A case study methodology offers a wide variety of data-gathering instruments. The historical overview looks at local currencies in the context of the alternative economics movement. Depression-era scrip systems, the phenomenon of late twentieth century poverty in rich countries, and the nature and historical foundations of money are of particular interest. An attempt has been made to glean from the field the working papers, funding proposals and conceptual and training tools that various community groups have used for their specific organizational development. Literature, interviews, a personal journal and workshops in Australia serve as the earliest sources of material on this subject. Correspondence with staff and participants in several systems in Ireland, Australia and the United States provided insights from those who are directly involved on a day-to-day basis with the task of making their own system work. These contacts have complemented the authors' personal observations of three local currency systems.

Dialogue was crucial to deepen and broaden the quality of the written information by anchoring it in daily practice. Local economic systems are only partly theoretical constructs; they are also profoundly integrated in people's lives. Therefore, following Seidman (1991), an attempt was made to get people to talk about themselves and the meaning they attach to their participation in alternative systems in such a way that any conclusions drawn may be useful at a grassroots level.

During two visits to Ithaca, NY, interviews and literature produced by the local scrip system resulted in what Stake (1994) calls an "instrumental" case study. The purpose of such a study was to gain a deep qualitative understanding of how a local currency such as Ithaca HOURS, in circulation without interruption since 1991, operates. The effects of other systems under other circumstances was not a focus of this study,

though they were reviewed in the literature and discussed throughout the book to provide context for this study.

Ithaca was chosen as a site for several reasons. First, it is the birthplace of the HOURS model and is the longest continually operating, community-wide scrip system in the U.S. Having been in operation for several years, its organizers and participants offer a treasure trove of accumulated experience in the use of local currency. Its longevity also allows us to understand how it has changed and evolved over time. Second, it has a large membership, a wide variety of goods and services being exchanged through its directory, and the equivalent of approximately US\$60,000 worth of local currency in circulation. The system's relatively wide diversity in scale, participation and content allows us to examine it from a multiplicity of viewpoints. Third, it has been the subject of considerable media attention—both alternative and mainstream—and together with other studies about it, offers a growing body of literature to draw upon concerning this and other HOURS systems. Lastly, the site was accessible. The system's coordinator, Paul Glover, was contacted several months before starting the study in the context of a class on alternative community-based economic development at the Center for International Education at the University of Massachusetts at Amherst. He invited Tony to visit, an offer Tony was able to accept given the close proximity of Ithaca, New York to his home at that time in Amherst, Massachusetts.

Material from Ithaca was collected from interviews with people in shops, on the street, at the farmers' market, or in their homes. The bulk of this material, following Seidman's guidelines for phenomenological interviewing (1991) and Merriam's principles of effective interviewing (1988), is comprised of short, informal exchanges, longer semi-structured discussions, in-depth interviews, and one focus-group discussion. The following set of questions was formulated:

* How did you come to be involved in Ithaca HOURS?

- * Can you reconstruct a typical day on which you trade in HOURS? Do you have any stories to share?
- * What does it mean for you to be a member of Ithaca HOURS?

Other questions that suggested themselves during the course of the visit to Ithaca were added:

- * Why do you use the local currency?
- * How has it changed your daily life, if at all?
- * How does it compare to using federal dollars?
- * How do you see yourself and/or the system in ten years?

These interviews involved mostly white women, although men and children were interviewed as well. The rationale behind the focus on women is that they tend to hold the majority share of responsibility in the non-monetary economy. Women are also the most susceptible to downward social mobility and impoverishment (Ehrenreich and Stallard, 1982; Cass, 1983; Vogel, 1994; Gallagher, 1992). Moser's framework for a gender analysis of community development initiatives provides an interesting methodology for assessing the degree to which women's strategic and/or practical needs are met by local currency systems.

Founder of the HOURS system and community organizer extraordinaire, Paul Glover, generously shared insights from his experience in Ithaca. From the hill on which Cornell University has its campus to the Green Star Supermarket on the other side of town, virtually every small business on the street is aware of the local currency. Most shopkeepers were surprisingly willing to interrupt what looked like a fairly busy working day to explain good-humoredly and at great length why they accept HOURS—or why they don't. Of 49 businesses sampled, not counting stall-holders at the farmers' market, 48 had heard of the system, 26 accepted the local currency as payment, including three businesses which placed no restrictions at all on the amounts they took in. One business

had accepted the currency in the past and had chosen to withdraw.

Ithaca is not necessarily a typical upstate New York town, and the people interviewed were chosen at random. It therefore follows that many aspects of the Ithaca case are unique to its particular context. It is also recognized that interviewees may or may not be representative of the Ithaca system as a whole. Fry and Thurber (1989) suggest that far too much energy and effort is spent seeking representative cases in the social sciences, when anomalies and extremes, arguably the bulk of all cases anyway, have as much if not more to contribute to one's understanding of a social phenomenon than commonalities and averages.

Supplementing the interviews in Ithaca were a series of informal discussions with Guru Nam Kaur Khalsa, coordinator of the University Women's Network Resource Pool at the University of Massachusetts, Amherst. Also useful were two sessions of a revised version of the Canadian simulation game LETSPlay, one with a group of 19 members of the UWN Resource Pool, the other with a group of five graduate students at the Center for International Education at the same University. Both sessions turned into lively and productive focus group discussions about local currencies.

Tony Savdié's own experience in Fairfield, New South Wales (NSW), Australia, provided an important third component in the scope of the present work. He was directly involved in exploring economic alternatives as a community worker in and resident of Fairfield from 1990 to 1993. Activities included a half-dozen forums on economic alternatives, and public meetings to explore the creation of an unemployed workers union. In 1991, the Fairfield Community Resource Center (FCRC), a community-based social service organization, made alternative economic development one of its priority areas in a lengthy strategic planning session. Later that year a small team of youth and community workers began to explore the idea of creating a local currency based on the Canadian LETS model. Two years later, Fairfield LETS had

begun to trade with a membership of 12. In 1993, a workshop put together by the Blue Mountains LETS based in Katoomba, NSW, saw views exchanged and issues discussed about creating a sustainable neighborhood economy. First-hand experience in these developments provided him valuable insights that at once furnish the backdrop and impetus for this study.

Tim Cohen-Mitchell brought two years of full-time experience co-founding and coordinating the Valley Trade Connection in western Massachusetts. He has also participated in a number of conferences and meetings concerning local currency, conducted graduate research on the topic, and been in communication with dozens of organizers both in the U.S. and overseas.

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Internet Resources

THE E. F. SCHUMACHER SOCIETY

<http://members.aol.com/efssociety/index.html>

Includes links to Activities of the Society, including the Stable Local Currency Experiment and Economic Self-Sufficiency Workshops. The Society's on-line publications include its newsletter and *Local Currencies: Catalysts for Sustainable Regional Economics*.

ITHACA HOURS

<http://www.publiccom.com/web/ithacahour/>

Includes links to currency samples, success stories, and starter kit ordering information. See also: *Creating Economic Democracy with Local Currency* by Paul Glover at <http://seclab.cs.ucdavis.edu/cohousing/struc/msg01993.html>

THE LETS HOME PAGE

<http://www.u-net.com/gmlets/home.html>

This site provides current information in LETS worldwide, including links to helpful sites that deal with the theory, practice, and development of LETS. To join econ-lets send the command: Join econ-lets firstname(s) lastname

TIME DOLLARS HOMEPAGE

<http://www.cfg.com/timedollar>

This site provides updates on Time Dollar developments and free access to Time Dollar system software.

LOCAL CURRENCY WEB SITES AND RESOURCES

<http://www.prairienet.org/community/religion/idf/currency.html>

This site includes links to the homepages of Ithaca Hours and OzletsNews (among others) as well as links to books and articles dealing with local currency and LETS.

MASTER INDEX OF THE INFORMAL CREDIT HOME-PAGE

<http://www.soc.titech.ac.jp/titsoc/higuchi-lab/icm/master-index.html>

This list of links is like an umbrella covering a wide and diverse range of issues from Designing of Credit Programmes and Finance for Microenterprises to Cooperatives and Community Development. Be prepared to spend some time browsing from this site; many good links are to be found here.

Other businesses welcome the scrip for goods which have sold more slowly, or for rental of unused space or equipment.