

How to make money for your community (and no one else!)

By Wayne Visser

In a previous article in this series on local economic development (LED) I began by looking at barter exchange systems. But barter alone is obviously limited unless lubricated by money. Many communities have realised this and found a way around the apparent scarcity of national currency. The legal creation of their own local currencies has allowed them to generate local wealth and reduce dependency on unpredictable macroeconomic forces.

Among the first examples of this phenomenon are the "Gurnsey island notes" issued in 1819, Robert Owen's "National Equitable Labour Exchanges" in London and Birmingham and Joseph Warren's "Time Notes" in Cincinnati in the 1830s, and Silvio Gesell's "stamp script money" in the Austrian town of Worgl during the years of the Great Depression.

These schemes were also echoed in hundreds of European and North American cities which recovered from the 1930s unemployment by issuing their own money. One of the initiatives to endure was Switzerland's "WIR" script - a currency exclusive to WIR-Messen, a member-owned co-operative exchange system started in 1946 and today comprises thousands of members and 19.7 million Swiss Franks equivalent of trade.

Another well-known experiment was that of Ralph Borsodi who, following the monetary theories of fellow US economist Irving Fisher, issued a local currency called "Constants" in 1972 in the US town of Exeter. The currency was based on a standard of value using thirty commodities in an index similar to the Dow Jones Average and had \$160,000 in circulation before Borsodi's death ended the experiment.

Other more recent examples include the "Farm Notes" of Berkshire in the US, displaying the head of a cabbage instead of George Washington and the worlds "In Farms We Trust", which may soon be extended to include the local banking network.

All of these local currencies are legal, since they do not masquerade as the national currency. As for taxes, many of them make arrangements to pay these in their local currency in exchange for local government services, be it public transport, electricity or other utilities.

US futurist, Hazel Henderson, claims that this local currency rationale is one of the reasons behind China's record of domestic growth, backed by "village money" or the

renminbi currency, which was not easily convertible to the yuan or to the Foreign Exchange Certificates issued to visitors.

But do these community currencies have a "mainstream" future? Henderson illustrates how they may develop by pointing to the Community Economic Development Scrip of the Minnesota-based Currency Exchange Network which now uses plastic debt and credit cards to facilitate its trade transactions.

Pioneering UK economist has even grander visions. He believes that "the 21st century must be designed and managed as a multi-level one-world economic system, with autonomous but interdependent component parts at all levels". In other words, local, provincial, national, regional and international currencies must exist side-by-side, with similar exchange rate mechanisms as operate today between countries.

Why is it important to consider these ideas at all? Mostly, it is because of the dependence of modern communities on the global market economy, and the failure of that system to provide economic security or stability for millions of people at a local level. It also has to do with restoring people's sense of self-worth and dignity, after the formal economy has failed to include or appreciate them - the unemployed, voluntary charity workers, child-raisers and home-makers, to mention but a few.

One particular community exchange/currency system addressing these shortcomings, and spreading around the world like wild-fire, is LETS - Local Exchange Trading Systems, which combine the best of barter-exchange and community currencies. More about that next time.

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