Why London Needs It's Own Currency – David Boyle

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Introduction - How we got here

"London is one of the richest cities in the history of civilisation, but it cannot 'afford' the highest standards of achievement of which its own living citizens are capable, because they do not 'pay'. If I had the power today, I would surely set out to endow our capital cities with all the appurtenances of art and civilisation on the highest standards ... convinced that what I could create I could afford - and believing that money thus spent would not only be better than any dole, but would make unnecessary any dole. For what we have spent on the dole in England since the war we could have made our cities the greatest works of man in the world."
John Maynard Keynes, 'National Self-Sufficiency', 1933

If the currency doesn't work as it should, people have always looked around them for something to use as money. It might have been too scarce, too unreliable or sometimes so common that it stopped being valuable. Grain, bricks, fur swords, hides, shells, cows - all of them have been used as money in London over the centuries. Because there have been neighbourhoods in almost every city in history which have run out of cash and find the basic needs are not being met - even though there are people around willing to do the work.

It doesn't matter what it is, just so long as it can bring the people with the time and the skills together with the people that need work done. Tobacco was used as money in the American colonial states for about 150 years, and it was shortage of coinage - and the insistence by the colonials on printing their own - which was one of the main triggers for the American War of Independence.

The idea of using other kinds of currencies in a semi-formal system of mutual aid is known in rural Ireland as meithal. Mutual credit systems, which substitute a commonly agreed token as money, were also developed in colonial Massachusetts. The tradition of local currencies has continued in North America ever since, emerging at times of recession - particularly in the 1930s and early 1990s. Since then there have been barter currencies, loyalty tokens, local exchange systems, local notes and now a range of new internet currencies like i-Points and beenz.

Local currencies are now being used in most continents, but especially in the UK, as a method of involving people on the fringes of society in economic activity. The idea has attracted government at every level, from local to European, and has begun to involve business too. They can be used as a tool to regenerate local economies and as a protective shield for people against the worst excesses of the market.

Ever since the state took for itself a monopoly of the coinage, there have been radical dreams of inventing new kinds of money that would be able to provide for local needs. The pioneer social reformer Robert Owen printed Labour Notes in his 1832 National Equitable Labour Exchange, but they failed because they could not buy food.

The most recent phase of development emerged out of the work of two Canadians in British Columbia: David Weston's Green Dollar Exchange in the late 1970s and Michael Linton's Local Exchange and Trading System (Lets) in the Comox Valley in the early 1980s. Under both these systems, electronic money is created when members go into debt to each other. When they supply their goods or services to somebody else in the system, their account goes back to zero.

A decade on, the argument has progressed and so have the possibilities. Every community has assets in its people and their skills, even if the market economy doesn't recognise them. But these assets can be used as the basis for new kinds of currency which can get those sections of the economy that the big currencies ignore working again for people. Inventing new currencies is a way of refusing to accept the narrowing of life by measuring everything by what they are worth in pounds or euros. We have it within us to invent new kinds of money, which work to different rules and different ethics, but which keep the hidden parts of cities rolling along.
Why should one of the great international cities - one of the wealthiest in the world - need to experiment with its own currency? That is what this pamphlet is about. It suggests a range of reasons, from increased business competition to increased social inclusion, from sustainability to local democracy, but there is another reason too. London is an extraordinary city, arguably the very centre of global culture. It deserves as much innovation in its difficult economy and divided social conditions as it has for its financial services. This pamphlets suggests a way forward.

Chapter 1 - The problem

"The minds of this generation are still so beclouded by bogus calculations that they distrust conclusions which should be obvious ... We have to remain poor because it does not pay to be rich. We have to live in hovels, not because we cannot build palaces but because we cannot 'afford' them ... The same rule of self-destructive financial calculation governs every walk of life."
John Maynard Keynes, 1933

London is two cities - at least two cities. For 700 years there were only two ways over the River Thames - the malodorous and congested London Bridge and the uncertain horseferry at Lambeth, one owned by the City of London Corporation and the other by the Archbishop of Canterbury. Their cartel enforced a divided city. And when there were suddenly more bridges than anyone could wish, it was the division between West and East which struck visitors. "With ease and celerity, could you send me to Darkest Africa or Innermost Tibet," the writer Jack London told Thomas Cook, with a rhetorical flourish in 1902. "But to the East End of London, barely a stone's throw distant from Ludgate Circus, you know not the way!"

Now, of course, it's all different. The traffic storms across the bridges and you can no longer tell south and north London apart by their accents and figures of speech. The gentrifiers have long since forced their way into the East End, and buying a flat in Stoke Newington or Globetown is almost as expensive as it is in any part of an expensive capital. But the divisions are still there. They are just not geographical any more.
It isn't a division between the haves and have-nots - though there are elements of that, as there always have been. It's a difference between London's different faces, as one of the great cities of the world. We who live in it take part in both halves to some extent, but it's an awkward business - because it is London's economy that is now divided in two.

On the one hand, there is the economy that is measured by the conventional indices of economic achievement. This is the economy of the great financial centre, which presides over the great cascade of money through the City of London from all over the world. It is this economy that makes itself felt in Britain's GDP and which makes London a wealthy city by any economic measure. It is dominated by the financial services industry, but it trickles down to some extent to the other businesses and services that feed it - from accountants to sandwich shops, from bars to advertising agencies.

But there is another economy too, which feeds off the pickings from the rich table above it, but is not necessarily part of it. This is the economy of the rest of us - those businesses and aspects of life so distant from the financial services industry as to be almost untouched by it. This economy is in London because it happens to be in London, because nearly eight million people live in the city. It is wealthy in the world's terms, but it includes much that is anything but.

Those two economies interact, of course, but they could be a hundred miles way from each other and affect each other just as much. Yet as the financial services industry brings wealth trickling down, it also brings enormous problems in its wake. It brings executives from all over the world, whose employers will pay their housing expenses no matter what - and this forces the price of London homes beyond anywhere else in the country. It prices many of the services in the capital city beyond the other economy altogether.

And so it is that London struggles to employ nurses or teachers or bus conductors because they can't afford to live there, so the basic services suffer. The international economy builds expensive theme bars with drinks at prices way beyond the simple pubs that used to be there, so the young traders and film executives can drink and eat, but other sections of the population are increasingly driven away.

The cuckoo in the nest

The big brand names drive out the local ones just as the big budgets drive out the little ones. Because both economies use the same counting system - the same internationally-recognised pounds - the fact that there are two economies, one of them struggling, is not immediately apparent.

Worse, London's rich economy threatens to drive out the poor economy completely. You can see the same thing happen in offshore financial centres where financial services have priced everything else into oblivion. In Jersey, for example, it is the cuckoo in the nest. The island's offshore status has made it rich in terms of money, and yet there is no longer a Jersey agriculture sector to speak of, and the tourist sector is well past its prime. Why? Because nobody but financial manipulators or banks can afford to live and work there.

"I became increasingly concerned at Jersey's reliance on its tax haven status," said Jersey's former economic advisor John Christensen, who grew up on the island, and describes how demand from financial services has made it impossible to diversify the Jersey economy - homes for first-time buyers now cost £170,000. "There is simply no available skilled labour, and the cost structures are prohibitive for most other industries," he says. "The banking cuckoo has taken over the nest."

It's the same with London. But because we only use pounds sterling to count all transactions, we don't see the process as it unfolds. In this sense, London is a microcosm of Britain as a whole. If the Bank of England puts up interest rates to batten down the financial service industry in the south east, then it ruins the manufacturing industry in the north. If it lowers them to suit the exporters, it threatens a housing boom in the south east. One currency system does not suit the two economies in the same way. How could it? They're different.

"Any national policy that makes enough national spending available to enable Liverpool to generate healthy levels of economic activity there, is bound to create inflationary conditions in other parts of the country," wrote the radical economist and former Cabinet Office mandarin James Robertson. That situation is likely to be even more pronounced under the euro.

Faulty feedback

Money gives feedback about the health of an economy. But if you use the same currency, accounting system and interest rate for both economies, you can't see it. One reason why policy-makers are becoming interested in parallel currencies is that they might fill in some of the social gaps. That was the opinion of the radical Canadian urban planner Jane Jacobs. "Today we take it for granted that the elimination of multitudinous currencies in favour of fewer national and imperial currencies represents economic progress and promotes the stability of economic life," she wrote in 1986. "But this conventional belief is still worth questioning… National or imperial currencies give faulty or destructive feedback to city economies and this in turn leads to profound structural flaws in those economies, some of which cannot be overcome, however hard we try."

"Imagine a group of people who are all properly equipped with diaphragms and lungs, but share only one single brainstem breathing centre. In this goofy arrangement, through breathing they would receive consolidated feedback on the carbon dioxide level of the whole group, without discriminating among the individuals producing it... But suppose some of these people were sleeping, while others were playing tennis... Worse yet, suppose some were swimming and diving, and for some reason, such as the breaking of the surf, had no control over the timing of these submersions... In such an arrangement, feedback control would be working perfectly on its own terms, but the results would be devastating." Hong Kong and Singapore are cities with their own currencies, says Jacobs; Detroit is not.
London isn't either. The pound has an interest rate set to suit the City, but not the second economy. And when Britain joins the euro, both economies will have to survive with a one-size-fits-all interest rate set for everywhere from Aberdeen to Athens - and probably now also Ankara too.

The idea that parallel currencies might provide a safety net for smaller businesses and disadvantaged communities underneath the cold winds of big currency competition has been backed by one of the designers of the euro, former Belgian central banker Bernard Lietaer, now at the University of California at Berkeley. Parallel currencies already feature in EU policy, as part of their regional policy and in the URBAN initiative for cities. As Jane Jacobs implies, currencies also provide information.

The problem of Dulwich

Take Dulwich for example. As I write, Sainsbury's wants to build a new Homebase superstore on the site of the local football club, which will in turn be shifted onto a rare slice of green common land. Won't people quite like having a Homebase, you might ask - especially in a corner of London as wedded to DIY as we are? Hasn't greenery got to give way in the name of progress? Well maybe. But this is where it gets hard to measure projects and neighbourhoods simply in terms of the kind of international money traded across the New York and Tokyo exchanges every day. Measure the Homebase plan like that, and it may look like progress. But then that takes no account of the more subtle 'wealth' which would be destroyed by it.

There is, for example, the green space and psychic health this kind of informal environment engenders. Then there's Lordship Lane, and its multiplicity of small hardware shops, most of which will probably put out of business by Homebase's indifferent and identikit fare. So here's the issue. Do we have the diversity of small DIY shops, which stock a bizarre range of gadgets, with friendly local staff who know everybody will give you the benefit of their years of DIY experience - or do we have to put up with the disinterested staff from Homebase? Do we have the shops which re-circulate the money you pay them over and over again in the local economy? Or do we have it going to a large conglomerate that collects it up every night and sends it down the wires to the City of London, or wherever Sainsbury's keeps its money overnight these days? And how do we invent new kinds of money that can tell the difference between the two - at least better than the inaccurate measuring system we now use, which recognises the Homebase profits as wealth, but not the broader 'wealth' represented by a community of small shops nearby?

The sad fate of Dulwich, and its green space and small DIY shops, is the fate of a weak economy bound intravenously to a strong one. Two economies, bound to each other by a single counting system, but one sucking the life out of the other.

The third economy

But then that's not all. Because London isn't divided into two - it's divided into three. There is another 'economy' that drives all the rest. The third economy isn't really an economy at all: it makes up the crucial human transactions that build families and neighbourhoods, look after old people, without which nothing we can do can be successful. Economists are starting to call this 'social capital' and market forces do not apply here - people don't after all bid for food at the dinner table. But without it, the police can't catch criminals, doctors can't heal, children can't be educated and the other economies can't work. The futurist Alvin Toffler asks executives what it would cost big business in hard cash if their new recruits had never been toilet-trained. This social economy doesn't appear in the GDP, politicians assume it is inexhaustible and so ignore it. It is the trust that underpins all the rest, but the international economy tends to drive it out by converting social transactions done by people for each other into cash transactions done by paid professionals.

The new mayor of London coming into office needs to be able to see particularly clearly. The economic feedback they will be receiving shows that by far the greatest source of wealth in the city is the financial service sector, based in the City of London. But hidden away in the money statistics, there are two other economies at least which must be nurtured if London is going to thrive. Without all three, it will become increasingly divided, increasingly hard to live and work, increasingly crime-ridden. It will become 'richer' in narrow

terms, while the social bonds that hold it together loosen.
What can be done to nurture the other economies? We need to start experimenting with new kinds of money.

Chapter 2 - Parallel currencies

"Market economics values what is scarce ? not the real work of society, which is caring, loving, being a citizen, a neighbour and a human being. That work will, I hope, never be so scarce that the market value goes high, so we have to find a way of rewarding contributions to it."
Dr Edgar Cahn, Time Dollars Institute, Washington DC

In a world where every nation has its own currency, backed by gold in the vaults of their central bank, the idea that any city or community could issue its own money sounds crazy. But we are no longer in that world. The pound came off the gold standard in 1931 and the dollar 40 years later. What backs their value now is immense debt, and our belief that our governments will pay it. But both the pound and the dollar and their fluctuating values derive from an interconnected international system of computers, which drives a total of $1.5 trillion - most of it currency speculation - through the screens of the world every day. It is, in effect, one system - almost one currency. It is also a system with instability built into its heart, because it is change that makes the speculators of Wall Street and the City of London their profits.

Once every decade at least, the creaking financial system seems to keel over dangerously far, threatening to capsize completely with disastrous consequences for the world. Between those crises, in too many corners of the world - and too many corners of London - there are the classic symptoms of economies short of cash. There is work that urgently needs to be done, idle people willing to do it and with the skills to do it well, but no money to bring these elements together. It is not surprising, therefore, that many people - from leading businesses to community groups - are experimenting with new kinds of money that can do that and other jobs too.

There are increasingly powerful loyalty currencies, like air miles or reward points issued by companies to good customers, redeemable by a range of other companies all over the world. There are barter currencies like trade dollars or universal currency, which allow companies to exchange excess or date-sensitive stock without using cash. There are cyber currencies like beenz or e-gold which allow people to save and buy over the internet. And increasingly there is the technology that is bringing these new kinds of corporate currency together.

Lufthansa's Senator loyalty card, for example, can hold loyalty points, digital versions of euros and other foreign currencies, and provide credit via the Visa network all at the same time. The Australian Bartercard can carry electronic trade dollars but also raise cash as a credit card. The new Boots Advantage card has space for 30 different kinds of loyalty money. In Finland you can download electronic money onto your portable phone or pay for parking meters by phoning them up. The new Windows 2000 will include the software for a smartcard carrying digital cash. A whole new world of electronic currencies are emerging - denominated not in pounds, dollars or euros, but in a range of new kinds of value. Some of them will be mainly stores of value, some of them will be mainly mediums of exchange. Money will never be the same.

And at the same time, there are a range of new currencies designed not to replace pounds or euros, but to underpin those other parallel economies which every city has. None of these currencies are likely to replace the conventional 'fiat' currencies - it isn't that kind of revolution. They are accepted because they can do things and circulate in places that pounds can't.

The local economy
It isn't just London with a struggling local economy that threatens to be swamped by the international economy - though London's problem is more extreme than most cities. The issue is the same all over the world: how do you keep money circulating in the local economy, rather than just among the rich people or siphoning off away to the international markets? How do you keep it in circulating around the smaller businesses and entrepreneurs without it flooding into the stock markets or into house price inflation? How do we make sure money is used over and over again - what Keynes called the 'multiplier effect' - rather than earned, popped straight into an offshore hedge fund, and lost to the community?

Money is like blood and must be kept pumping round: so how do we stop the kind of economic thrombosis that sets in with cities like London?

The answer may be to set up a local currency which local business can use in parallel to pounds, but which the multinational retailers and banks will not be able to accept. That's the idea behind the success Swiss currency known as Wir.
Wir - short for Wirtschaftsring ('economic circle') - is Europe's oldest bartering operation, aiming specifically at smaller companies, and it is now so widespread in Switzerland that it amounts to a virtual currency in parallel to the Swiss franc. Wir started in 1934, the brainchild of two followers of the economist Silvio Gesell, who urged the creation of negative interest currencies. By 1993, it had a turnover of £12 billion and 65,000 corporate members. Wir is a barter system, but using a currency all of its own, so that people exchange goods and services inside the circle, without using Swiss francs. They create the money by going into debt to each other, and then must pay it off by providing services for others.

Wir provides working capital to smaller businesses at very low interest, with which they can buy goods and services from other members. The main areas of specialisation are the building trade, restaurants and food.
Lets currencies work on a smaller scale along similar lines. Lets stands for Local Economic Trading Scheme - or various other translations, depending on who you speak to. Like Wir, the local currencies are created by one member going into debt to another - but denominating the debt, not in pounds, but in an agreed local currency, often with a bizarre local name. It means people

can trade or work without scarce cash. By the early 1990s, the idea was catching on around the English-speaking world. There were 200 Lets banks in Australia, starting with the alternative community of Maleny in Queensland, and moving on to what became the largest system of its kind in the world - Blue Mountain Lets, with 2,000 members. There are now almost 400 Lets 'banks' in Britain and an estimated 35,000 people take part.
Many of the Lets banks in the UK specialise in different sectors. In Kings Lynn, it is crafts; in Brighton it is repairs, cars and building work. In West Wiltshire it is health.

The names of the local currencies reflect local interests and add an extra spice to the idea. In Donegal, in the Republic of Ireland, people trade in sods. In Milton Keynes it is concrete cows. In Salisbury children have their own currency, kebbles (Kids Exchange and Trading Scheme - adults use ebbles). Like the big retailers and their loyalty money, the membership of Lets currencies is used as the basis for building a loyal social following as well, with regular parties and trading sessions. As a secondary effect, Lets banks can encourage local trust and friendship - especially for the unemployed. Two thirds of unemployed Lets members reported an increase in their social networks. Like other parallel currencies, they seem to provide spending power to people on the margins of the economy. It can also add to people's skills and self-esteem.

The idea has now taken root around the world. In France, there are now over 200 Grain de Sel 'banks' and local bartering is increasingly popular in France, with a recent national TV series called Troc Moi Tout (Barter Everything). Another 350 systems, known as Reseaux d'Echange du Savoir, help people trade knowledge and information. Three French cable channels provide support for people who want to exchange things. In fact one recent survey showed that quarter of the French population were involved in exchanging goods without using francs, and two per cent are thought to trade mainly in that way. There is Banco de Tempo in Italy, and Tauschring in Germany. There is Womanshare in New York and a range of similar projects from Sweden to Senegal.

The European Commission has funded four experimental schemes along the lines of Wir for smaller business, including the Scottish Organisational Currency System (Socs). This covers much of Scotland from Aberdeenshire south, including a broad sweep of central rural Scotland - an area of 18,000 miles. They now have 80 members, including Gordonstoun School, the YMCA, Highland Wholefoods, the Centre for Human Ecology in Edinburgh, plus bakers, bed and breakfasts, computer companies and a recording studio in Forres. The currency is equal in value to the pound, and the system is free to join - though there is an administration charge of 20 socs, which means in effect that credit is provided to account-holders initially at the equivalent of four per cent APR. Like the other barter currencies, joining the system means you can trade with other members using their own Scottish currency rather than pounds. Members will soon be able to exchange socs electronically using a Bank of Scotland card, and use it as collateral for a loan.

If Wir is the successful European model, then there is also a successful American model - the idea of a printed currency that circulates around a local town. Ithaca hours are the paper-based currency launched in the university town of Ithaca in upstate New York in 1991. The currency was the idea of local economist Paul Glover, as a way of preventing the seepage of jobs and incomes out of the local community. As a result, Ithaca is now home to what is probably the biggest local currency in the world.

Glover wanted to find a way of keeping money circulating locally. Like so many other small cities, Ithaca's local business was threatened by large chains that took money away from them and sent profits out of the area. The result was that local incomes were falling, economic self-determination - such as there was - was crumbling, and the city was increasingly dependent on expensive, packaged imports to the area, usually brought in from great distances by large corporations. Glover believed that a local currency could stem the flood, because it could only be spent within a 20-mile radius of Ithaca.

Hours were the solution. They are printed notes circulating locally, beautifully designed and on unusual local paper. Their issue is managed by an informasl group of local people who meet once a month at 'Barter Potluck' and each note incorporates the slogan 'In Ithaca We Trust' in parody of the dollar. One hour is accepted as being worth $10. There are now 1 hour, 2 hour, half hour, quarter hour and eighth hour notes, which are issued into the economy every month in payment to people who advertise in the Ithaca Money tabloid newspaper, in grants to local charities and non-profit groups and in interest-free loans to local people and business. About 6,700 hours ($67,000) are in circulation around Ithaca, and organisers believed they are used to create about $700,000 in trade among local business every year. You can earn them by providing a very wide range of different goods and services, from baby-sitting to car maintenance. About 370 businesses accept them, ranging from restaurants to builders and lawyers: a handful of businesses, including one of the local banks, pay staff a percentage of their wages in hours. Hours are supported publicly by the mayor and chamber of commerce.

Social economy

But the third London economy needs support too. There may be qualms about inventing a currency that can back the caring, educating, supporting networks on which the other economies depend on - what Hazel Henderson calls the 'Love Economy'. But it needs support because the sheer power of the international economy is tending to drive it out. Where the social economy thrives, where people watch out for their neighbours and keep and eye on each other, then no amount of alternative economic manipulation will improve it. But what if it isn't there any more - and in many parts of London, it isn't? Dramatic evidence of the importance of the social economy came in a major study of the causes of crime and delinquency in a series of similar run-down neighbourhoods in Chicago. The Harvard School of Public Health interviewed nearly 9,000 residents and found that the rates of violent crime were very different, and seemed not to be linked to poverty, unemployment or police tactics. What made the difference was the willingness of the people who lived there to intervene when they see children playing truant, spraying walls or hanging around in street-corner gangs. Researchers put the key difference down to a "shared vision, if you will, a fusion of shared willingness of residents to intervene and social trust, a sense of engagement and ownership of public space." But what happens if you that social trust has disappeared?

One successful idea from the USA has been to set up 'time banks'. These use time as a tax-free 'currency' that measures the effort people put into their neighbourhoods, links people together and builds trust. The idea began when the US civil rights lawyer Edgar Cahn spent a sabbatical at the London School of Economics in 1986, publishing his idea in a pamphlet called Service Credits: A New Currency for the Welfare State. There are now getting on for 200 'time dollar' projects running in the USA, with another 300 in Japan. Cahn describes the idea as working like a blood bank or babysitting club:

"Help a neighbour and then, when you need it, a neighbour - most likely a different one - will help you. The system is based on equality: one hour of help means one time dollar, whether the task is grocery shopping or making out a tax return… Credits are kept in individual accounts in a 'bank' on a personal computer. Credits and debits are tallied regularly. Some banks provide monthly balance statements, recording the flow of good deeds."

Research shows that about a third of the people taking part in time dollars have never volunteered for anything before. They also tend to stay volunteering longer than in average volunteer schemes, many of which have serious 'burn-out' problems. Because everyone's time is worth the same, nearly everybody has something to offer - from brain surgeons to housebound older people making supportive phone calls to neighbours. These are not semi-professional volunteers: people who were once labelled 'recipients' or' clients' become participants. They are no longer receiving charity; they are taking part.
The system has successfully recruited some of the people conventional welfare or justice systems regard as the 'problem' as the agents of change - from teenage criminals, pupils in problem schools to old people with arthritis or diabetes. All earn these time 'credits' that can be spent on help and support when they need it, or increasingly on other perks like cinema tickets or refurbished computers or public transport tickets. The computers are a really important twist. Five million of these are thrown out by British business every year. They have no market value and are usually put into landfill. Yet if they can be collected, refurbished and upgraded, they can be used to fuel the new time 'economy' - recognising the effort young people put in.

Time credits are now paid to:

- People teaching and taking part in self-help training and health courses in St Louis.
- Younger people taking part in security patrols in Ohio and food banks in Washington.
- Older people organising telephone bingo and bereavement counselling in Brooklyn. In 12 years, the Member to Member bank there has recorded 100,000 hours of volunteer work.
- Teenagers sitting on juries in Youth Courts, under licence from the District of Columbia.
- Pupils tutoring slightly younger pupils in 25 problem schools in Chicago. The grades of tutors and pupils went up and bullying all but stopped.
- Older people phoning and supporting people with arthritis, diabetes or asthma in Richmond, Virginia. The scheme cut the cost of treating asthma in local hospitals by 70 per cent in one year.

"If you rely solely on physicians for these conditions, then it isn't going to work," says Mashi Blech of Member to Member. "We want to involve people as co-producers of their own health care. A lot of people refuse formal services of this kind, but many of these people don't have the same reluctance to let a volunteer in. It helps that they are not paid and that they are a peer."

Hidden assets

Brooklyn's Member to Member is particularly impressive. The idea was originally used by participants as a way of extending the long-term care insurance they were getting through the local insurance company Elderplan. Members earned time dollars by helping other members - anything from friendly phone calls to DIY - and received visits, lifts and basic home repairs in return when they needed them. It's simply a matter of picking up the phone to the time bank, who matches you with a volunteer and does the accounting. The company discovered that participants stayed healthy longer than average, which meant they were able to offer 25 per cent discounts on premiums in return for time dollars.

Elderplan doesn't charge premiums any more - they get their funding direct from the state - so to replace this perk for time bank members, Member to Member launched CreditShop in 1998. This means participants can use their time earnings to buy goods and services outside the system. These include healthcare products like blood pressure monitors, cinema and theatre tickets, transport vouchers, supermarket and luncheon vouchers - all of which are provided to the scheme at a discount by local business. Organisers also negotiated fixed price lunches in restaurants in Brooklyn.

Once you realise that there are at least three interlocking economies in London, you realise there are hidden assets that the market economy doesn't recognise. They might be the wasted time, skills and care of local old and young people - people who will probably never be employed in the market, but whose skills are essential for solving many intractable social problems.

But there are other hidden assets too. They include the wasted goods and services in the local economy. They might be unfilled cinema seats or restaurant tables. They might be surplus food from small supermarkets or clothing in last year's colours. Make these available for time money, and you can help underpin the social economy too.

Take the Commonweal project in Minneapolis for example. It was developed by the community economist Joel Hodroff as a direct response to the phenomenon that economic success seems to rub shoulders with poverty and social exclusion. After some five years in the development phase, Commonweal launched its first pilot in the Lyndale neighbourhood of the city in April 1997. Its success lies in its ability to link volunteer currencies like time dollars with the idea of loyalty money like air miles. Commonweal's electronic HeroCard deals with two currencies simultaneously - US dollars and community service dollars (C$D). The C$Ds are earned by participants as volunteers in the local community, usually together with a range of voluntary sector organisations. They are then spent in participating businesses, out of surplus capacity - usually for only part of the cost. Some restaurants, for example, accept 40 per cent of the bill in C$D before 7pm. The most famous participant is the Mall of America, the biggest shopping mall in the USA, at the centre of which the Camp Snoopy theme park accepts C$Ds on its slack Wednesdays.

The C$Ds earn no interest, and - like frequent flyer points - they are deleted when they are spent. Businesses get a cash benefit from accepting them, because they can cover their actual costs in dollars, and attract customers they did not already have. The proportion of dollars and C$Ds can be deducted with one swipe of the card. They also benefit by the improvement in the neighbourhood from the work of the volunteers. For the unemployed, the system lets them turn time into spending power: and paying by card takes away the indignity of using food stamps.

Minneapolis is not unique in this respect. Every city in the world has the same basic conditions for new kinds of money. They have surplus capacity, wasted people, enormous social need. They have struggling small businesses - often in poor neighbourhoods - and they have booming outposts of the international economy that drive up the prices for everyone else. London is the same. By borrowing from Minneapolis, Brooklyn, Switzerland and Scotland, we can invent new currencies which can transform life in the capital.

Chapter 3 - New currencies for London

"Sweet Thames, run softly, till I end my song."
Edmund Spenser

Imagine for a moment that your tickets for the London Underground were electronic digits on a smartcard. You may not have to imagine it for long: the underground has already embarked on a £1.8 billion project for just such a card. But imagine a little further - that you could buy these units in small shops all over the capital and could exchange them easily, along the lines of a Mondex or Visacash card - from card to card. Imagine, like Mondex, that you could download them onto a card in a mobile phone. Mondex and Visacash are experimental electronic versions of pounds which can be held on cards, downloaded over the phone or via computer direct from your bank. The technology has advanced so much that you can now pay parking meters or drinks dispensers in Finland simply by phoning them up. In five years time, the chances are that this technology will have reached even London underground enough for us to download tube payments direct from the station over the phone and onto a smartcard.

Now imagine that these units also circulated around London's local economy, swapped from card to card by card readers in shops and pubs or kept in a handbag or pocket. Imagine that, as well as paying the price of an underground journey, you could also use them to buy what you need in the local economy. Let's call this new electronic currency 'tubes'. London underground may then find they have created a de facto regional currency, which can be redeemed in journeys - and is therefore not subject to the same inflation as pounds or euros - but which we can also use to buy a range of other things in the informal and maybe formal economy too. Tubes could be bought in the normal way, of course. But they could also be issued into the economy in no-interest loans to small business - in return for a fee - and then earned by people providing a range of services in the local economy, ranging from building work to informal baby-sitting. The underground would get the fees and some benefit from 'float' - because it may be months before the tubes are redeemed by journeys.

As in Ithaca, people will probably react to a parallel currency by finding it easier to spend. They may be prepared to splash out on luxuries in tubes in a way that they are not with the harder, tougher pounds.
Why shouldn't bars have a particularly happy hour when they accept part payment in tubes? Why shouldn't we launch a range of new babysitting circles and 'favours' groups that exchange tubes? The currency would be trustworthy and able to underpin a range of semi-economic activities that are simply not viable in an international currency like euros or pounds. The underground would be a bank for the local London economy, underpinning a network of smaller business as Wir does in Switzerland, and the identikit brand names like Homebase probably wouldn't accept them. The big utilities would find this kind of currency - one that can only be redeemed in London - hard to deal with. The chances are it would probably stay within the capital.

There may be a range of reasons why tubes are not, after all, the answer. Maybe a sclerotic institution like the London underground isn't the right body to preside over this innovation. Maybe a currency that devalued every January when the underground prices go up might not be the most appropriate - though there are advantages in a currency that 'rusts': people don't hoard it. It would depend how the new smartcard system worked whether this would be a currency that rusts or one that inflates when the fares go up in price - and the consequences for the way the currency worked would, of course, be very different.

Maybe instead the new Mayor of London organises a bond issue to pay for the upgrading of the underground - as many of the candidates have suggested. Maybe instead of large denomination bonds, sold to pay the enormous costs and paid off by charging cars driving into the centre, they could be converted also in very small denominations which circulate around the local economy - backed by the promise of London government to repay them at a set date. The point isn't that these specific brainstorms should be adopted, but that experiment is possible in a range of fields.
The point is also that the tools and infrastructure, and certainly the technology, are available to us to invent new currencies that can circulate around London's local economy. They are unlikely to be accepted by the big retailers who bundle up their takings every night and send them electronically to City accounts. They are more likely to provide a kind of local multiplier effect for London's less advantaged neighbourhoods. And if they are widely accepted, they open up the possibility of zero-interest or very low interest loans that would make small businesses viable, when a loan at six per cent wouldn't.

A local currency for London

Probably the best contender would be a new currency based on the Socs system, allowing small business to exchange their goods and services without using scarce pounds or euros, but using a new mutual credit currency. Small businesses would accept the currency from each other and from customers, knowing that they could use it by buying locally. A London website would allow people to use it more easily. Trades and exchanges would be featured regularly on local media. London's currency would be the subject of some pride - even if it didn't float independently on the world's stock markets.

What should we call the new currency? It needs to sum up the history of London, to catch the imagination of Londoners, and to emphasise that as a zero-interest currency - its whole purpose is to flow. I suggest we call it a thames.

London business would be able to earn it by providing services or goods for thames, or partly for thames. They could get very low interest or no-interest loans in it from the Thames Bank in return for a fee. They could buy the services they need in thames, whether or not they have thames in their account, by going into debt to other participants - itself a small interest-free loan. Local authorities can play a key role in its distribution. If they agree to accept it as a proportion of council tax, fines and other charges, it immediately gives the currency a value. That means that they must also spend it - perhaps as part of payments to contractors and maybe even staff, but certainly in grants to local charities and in zero interest loans - for a fee in pounds - to small business.

The new local currency will provide a lifeblood of money and connection - bringing together people with time and skills with the work that badly needs doing, and which even in the richest places still seems undone. By staying circulating in London's local economy, without being siphoned off into the international economy, the London currency will provide more work for people and business on the margins.

It would be taxable if it is used as part of business: this is not a means of avoiding tax. As things stand, the Inland Revenue would insist on this tax being paid in pounds. But since some of its circulation will be new, it might be possible to negotiate that some of the tax could be paid in the same local currency. It may be also that, since this is a local currency, its tax should be hypothecated to London - which would give an added reason for Londoners to use it.
That is for the more distant future. For anyone active in the local economy - and that's most of us - thames would provide an extra currency which would underpin our economic lives. We would earn it more easily and spend it more readily. It would be exchangable on the internet and it would be the subject of local TV programmes dealing with cashless exchange and barter, which would people's imagination as the US auction sites like eBay have done - and as the French TV barter programmes have done on the continent. Dealing in thames would very quickly become a major feature of life in London.

A time currency for London
But the thames is not enough. It will circulate around the local economy, providing a more accurate feedback about what is important. The small DIY shops of Lordship Lane will stay open and the new Homebase may go elsewhere. But the social economy could still wither away.

We need another kind of currency, based on the American time dollar idea, that circulates around London - through a network of time banks - and underpins the social economy. The time banks could be based in doctors surgeries, small shopping centres and large housing estates. Each one would measure the effort people of all ages put in, putting volunteers in touch with people who need help, support or advice, and vice versa. Each bank would preside over a network which keeps an eye out for local people and allows the credits to circulate locally. Each one would be able to build local trust and a sense of community, and would send out statements once a month to members.

People could earn time credits doing whatever they love doing - as long as it is otherwise unpaid and is for the greater good. For children that could be running errands for older people, taking part in security patrols, peer-tutoring in local schools. For older people it could be telephone support or advice, self-help training or basic DIY. For others it could be anything from giving lifts to doing tax returns.

They could spend these credits on services for themselves - maybe on the kind of friendly luxuries that money couldn't normally buy. Time credits can't buy you friends, of course, but they are far more likely to link you up with new friends than ordinary money. People can spend them, or donate them back to the system - a kind of giving twice - or give them to older relatives who need them. The time banks could also link together the following systems:

- A programme of self-help training courses along the lines of the idea pioneered in St Louis, paying trainers and participants in time money.
- A source of refurbished computers that can be bought for time credits, recycled in local estates as a way of providing training for young people.
- A transport link - either in neighbours' cars or with a concession from local transport providers - to sell discount travel passes for time money, as they do in Baltimore.
- Tutoring in schools by older pupils, paid in time credits, as they do in Chicago.
- The option to pay part of your rent for council housing or local housing associations in time credits, providing some of the social capital that keeps estates running.
- Local council smartcards that could also hold time credits, allowing free or cheap entry into council sports facilities, and space which could be rented out to other applications - like transport or phone credits.

Conclusion

So here's my advice to the mayor:

- Co-ordinate the various interests, from the accounting systems to the media, which could create a London 'barter exchange' using a new local currency called thames.
- Negotiate with London local authorities so that they accept thames in part payment for fines, charges, fees and council tax.
- Negotiate with the government to allow tax paid on local currency earnings or sales to be hypothecated to specific projects in disadvantaged areas of London.
- Launch a London Time Bank to support the efforts of the new local time banks emerging around the capital.
- Use your authority to persuade local business not to dump furniture, computers or electronic equipment, but instead make sure it is recycled by a network of training workshops and made available in return for time credits.
- Co-ordinate a network of training courses around the capital which can be accessed by people earning time credits.

New kinds of money will happen anyway - sophisticated loyalty currencies that circulate only among the best corporate customers, virtual currencies on smartcards that shun the socially excluded who can't afford card readers. The multi-currency world is already with us in the burgeoning numbers of loyalty currencies like air miles, barter currencies like the newly-arrived Australian Bartercard, or internet currencies like beanz. What I'm suggested is that we don't let big business have a monopoly of the future of money - but to use these ideas to provide a better life for all Londoners.
London's current unbalanced economy is geared for international finance: providing new currencies to underpin the local economy and the social economy would prevent buying power seeping out of the city, and spread that buying power down the socio-economic ladder. Ordinary Londoners have suffered from the failure of wealth to trickle down from the City of London for far too long. We need a currency that is geared more to local needs and which provides low or no interest finance to small and micro-business.

The new multi-currency world is inevitable. We can use it to invent new kinds of money which don't narrow us - by recognising only the most marketable people and assets - but which recognise the full diversity and possibilities of life. London with one distant currency and a powerful international economy, acting like the cuckoo in the nest, will become a monoculture - where only financial services can survive. To keep the city a living, breathing, diverse place to live for everyone, it needs the thames.

Currencies are information systems. London has enormous resources next to enormous need, and its currency information system is failing to bring the two together. We can see millions of working computers thrown into landfill, and enormous IT needs existing side by side. We have enormous need for companionship, friendship and support - especially among older people - alongside tens of thousands of people with time on their hands and a desperate need to feel useful. The market economy may not define meeting these needs as 'work'. It may not define it as 'profitable', and yet it is work in every other sense. Creating new currencies for the social economy can start to meet this need and put to use some of the enormous wasted resources of our capital city.

David Boyle is a NEF associate and the author of Virtual Currencies (Financial Times) and Funny Money: In search of alternative cash (HarperCollins).

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