

What's next?

If the economy returns to growth and euros become plentiful again the system can be wound down by the Trust reducing the amount of bonuses and recycled quids. Alternatively the system could be left in place as a hedge against future economic stress or as a tool to promote local trade.

Conclusions

- The credit crisis is not over and Ireland's debt burden is likely to persist for many years.
- This means that incomes will continue to fall and local businesses and councils will continue to suffer.
- A Liquidity Network can enable communities to do more with their local resources than would be possible if they relied solely on an inadequate euro supply.



Scenario # 4 - A Local Charity

"When people sign up they are given a list of local charities to choose from. If they want they can donate some or all of their bonuses to us. We can then use the funds to purchase supplies. It hasn't generated a huge amount of income but it is good to get a steady flow. What we are doing now is working with a local artist to design the paper notes that are coming out next year. This will help raise awareness of the project and why it benefits us."

All scenarios are fictional accounts based on our expectations of how the Liquidity Network will be perceived by the parties involved.

Contact Us

Feasta is currently in discussions about establishing Liquidity Networks with partners in Dublin and Kilkenny. Enquiries are welcome from policy makers, business leaders, chambers of commerce and council representatives elsewhere, on how to start up a system in your area.

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The Liquidity Network



Easing the credit crisis
for local economies

What's it all about ?

A Liquidity Network is an innovative payment system proposed by the Foundation for the Economics of Sustainability (Feasta) to enable local authorities and businesses to maintain services, exchange goods and pay salaries without the need for euros.

Combining the best features of local trading systems such as the Swiss Wirtschaftsring with electronic payment systems used in Japan and elsewhere, they are an emergency measure to help local economies keep business moving and prevent further job losses while the current recession lasts.

A Liquidity Network addresses the current problem of lack of credit by creating a local trading 'fund'. Participating members can use the fund in place of the euro as a means to exchange goods and services with one another.



Scenario # 1 – The Project Coordinator

"It was a lot of work for the council's finance team and the traders had to be convinced to take on new point-of-sales equipment. We worked with the Chamber of Commerce, the County Enterprise Board, the Tourist Board and all the key stakeholders to get the biggest buy in possible. Initially the council spent a million quid into circulation and this helped it maintain services and avoid layoffs. The incentives that encourage local spending are very clever and there has been a reduction in the number of businesses having difficulty paying rates. So far so good. Every local authority should consider it."

How does it work ?

The fund exists electronically and each user has a secure online account. The trading units can be given a local name but Quid is the generic term.

Users can pay each other in several ways including internet, chip+pin cards, mobile phone, paper notes and even user printed vouchers. The design and complexity of the system can be tailored to suit the character and scale of the area in which it is to operate.

To help cope with the budget cuts facing local authorities, the first quid to go into circulation are spent into use by councils which agree to accept them back again in payment of local charges. The size of the fund is set by a management committee or trust appointed to run the system on behalf of all the users.



Scenario # 2 – The Employee

"At first I was unsure but since most of the shops on the high street already accepted them I decided to give it a go. I wasn't worried about being stuck with quid I couldn't spend because you can use them to pay the council for refuse collection or motor tax.

Now I do most of my shopping with quid and my garage even accepts them for repairs. I use my card so often, in fact, that I've asked my employer to pay more of my salary in quids than in euros!"

Getting it started

To encourage a quick uptake and widespread use, measures are built into the system to benefit those who use it. For example, local trading is rewarded by giving bonuses to users who spend amongst each other rather than simply returning quid back to the council.

At a later stage bonuses are only given to the most active account holders and fees are applied to inactive ones. In this way the total number of quid in circulation is maintained in step with the amount of economic activity taking place.

The system is designed to enable users to make transactions with one another, not for saving. This is the reasoning behind the "use it or lose it" principle.



Scenario # 3 – The Small Business Owner

"It's been great for local trade within the town. I won't say there still aren't problems but it has eased our cash flow problems. We use euros to import goods and repay loans and quids to trade amongst each other and pay our local taxes. The extra bookkeeping can be time consuming but it is certainly worth the effort. If the council hadn't introduced the system there's no doubt the local economy would have suffered even more than it already has. It's a great thing having a way to do business that isn't totally dependent on the euro!"