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Time for Change: International experience in community currencies

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Gill Seyfang and Ruth Pearson look at the diverse range of alternative currencies in a discussion of how local community currency can promote local regeneration, build social capital and foster sustainable development.

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Introduction

Given the extensive interest in money issues in development in terms of international debt and credit there is surprisingly little discussion about alternative forms of money which have or could have positive development outcomes. However a diverse range of currencies currently co-exist with conventional money, at different levels from the international to the regional and local. These include private electronic currencies that are increasingly used competitively in the commercial sector (Boyle, 1999; Seyfang, 2000).

Some have claimed that local currencies in the North are a grassroots response to globalization, in the sense that internationalization of investment and accumulation produces patterns of uneven development, as some centres experience rapid growth and enrichment and others are marginalized and impoverished (Pacione, 1997). Others, particularly from the South, argue that these initiatives directly respond to the sustained de-development of peripheral economies subject to the neoliberal regimes of the Washington financial institutions, which led to years of negative growth, rising unemployment and a decline in the ability and willingness of the state to provide even minimal benefits and safety nets for the poor (Primavera, 2000). There are also differences between initiatives that originated from grassroots movements, and those which have been introduced by public agencies or non-governmental organizations. However, the acceleration of innovation in community currencies as part of anti-poverty and social exclusion policies deserves the closer attention of the development community.

What are community currencies?

Community currencies are local initiatives which let people exchange goods and services without using conventional money. There are three main types of community currencies currently operating in different parts of the world.

Local Currencies

The first are locally-issued notes or tokens, circulating freely among individuals and businesses in an area. A well-known example of this type is the 'Hours' system first developed in Ithaca, New York State, and now replicated in 20 cities across the USA with variants in other countries. The *hours* notes are utilized in the same way as national currencies to purchase goods and services in the locality. Participation is based purely on exchange, and is facilitated by a directory which lists businesses which accept *hours* in total or part payment for goods and services. Since the objective of these schemes is clearly local regeneration, *hours* have an exchange rate with the dollar (one *hour* =US$10) and are utilized alongside of dollars in general trading. In technical terms this is a fiat currency whose liquidity and circulation is overseen by a management board --in Ithaca about 6,700 *hours* (US$67,000) were in circulation by 1998, and the local multiplier effect is estimated to have generated ten times this amount of trade among local business each year (Boyle, 1999).

Fiat schemes such as Ithaca Hours follow a relatively long history in terms of local currencies which have historically been used in times of economic crisis the world over. For example after the First World War, local leaders of the German town of Worgl printed their own currency to fund public works, which became widely accepted throughout the town and circulated effectively as an exchange currency. Before other towns could follow their example, central government banned the idea to protect the interest of national banks. Similarly, in the USA during the depression, local token currencies emerged to keep local economies moving when national currency was scarce and unreliable (Douthwaite, 1996).

Community barter currencies

The second type of community currency takes the form of purely notional credits and debits in a set of accounts which keeps score of trade in goods and services among members. They are a form of 'mutual credit', meaning that the currency is issued by individual users and is generated by the act of exchange itself. The best known community currencies in the North are of this type: LETS --or Local Exchange Trading Schemes-- have been widely adopted in the UK and Canada, with variants including SEL in France, and Green Dollar Exchanges in Australia and New Zealand. They emerged from the 'new economics' movement in the 1980s, and have grown and spread widely during the 1990s. Most LETS were started by individual volunteers, with strong commitments to social capital formation, as well as economic objectives, and many members share an ideological commitment to generating an alternative, 'green' economy (Croall, 1997).

LETS are local associations whose members list their offers and requests for goods and services in a directory and then exchange them at a price negotiated in units of local virtual currencies --such as 'Shells' in Kings Lynn or 'Concrete Cows' in Milton Keynes. Members contact each other privately to arrange trades, notifying a central record-keeper of debits and credits to their accounts. In this way people can access goods and services in exchange for offering their own skills and time, without requiring money in the form of official currency. The most recent estimates suggest there are about 350 LETS in the UK, with 30,000 members, each trading approximately £70-worth a year (Williams, 1996).

Though LETS are a financial tool which have been claimed to promote local economic regeneration (Douthwaite, 1996; Williams, 1996), they have remained small and marginal to the economic needs of most members, and have not been successful in spreading into deprived areas or attracting widespread participation from socially excluded groups or from businesses. This is partly a reflection of the non-economic objectives of most members and partly the result of the policy context in which these local currencies operate --namely relatively high levels of public spending and welfare support, and the threat of loss of state benefits for unemployed LETS participants (Seyfang, forthcoming). LETS therefore responds primarily to a desire to reconnect to community, and build personal contact and reciprocity into everyday social and economic relationships.

Volunteer service credits

The third type of community currency considered here is service credits or time banks. As the name suggests these schemes take time as the alternative currency so that one Time Dollar (as they are known in the USA) is earned for each hour of service 'donated' to the scheme, from a whole range of activities --some social, some civic and some economic. These can be stored for future use, donated to other members, spent on other services available on the scheme, or increasingly, on practical goods such as food, refurbished computers or with mainstream businesses. Time banks coordinate the supply and demand for services from participating members and enterprises. They were developed in the USA in the mid 1980s as a social provisioning strategy initially aimed at facilitating appropriate services and activities to ensure the well-being of older people and contributing to their on-going independent living (Cahn and Rowe, 1992).

There are now about 200 time banks in the USA, some with thousands of members, and similar schemes in Germany, Sweden and Japan; they have recently spread to the UK where a dozen pilot initiatives are in place, centred on local government projects, health centres and schools (Boyle, 1999). These schemes value and reward community participation, and acknowledge the efforts of people on the margins of the conventional economy or people often defined as passive recipients rather than active agents, redefining them as providers of socially-useful services. Cahn (2000) talks about 'co-production', which emphasises the principle that members *trade* --contribute as well as consume-- services and that their input has a value and significance beyond the access to the services required.

Time banks in effect are volunteer currencies which facilitate bridging the gap between public and private sector provision. At the same time, like LETS, they seek to build social capital through face-to-face contact and mutual support. In the USA, public agencies have often taken over the financial support from private foundations which funded the original pilots because of the widespread direct and indirect benefits to a range of social groups marginalized by mainstream economic activity and social provision (Cahn, 2000). Time banks can also be run by informal community groups on a self-help basis without any public support.

Argentina's social currency: The Global Exchange Network

The examples discussed above refer exclusively to initiatives in mature northern countries which are facing a range of problems associated with atomization of communities, degeneration of local economies, ageing populations, social exclusion and restructuring of welfare systems. However there are community currencies in the global South which blend elements of the different types of alternative currencies discussed above, and which have developed independently in response to the economic social and political situations in particular countries (Pearson, 2000).

An important example of this is the Global Exchange Network (translated literally from the Spanish as 'Global Network of Multi-Reciprocal Exchange Clubs'). This initiative, which began as a neighbourhood barter club in May 1995, organized by a group of sustainable development activists, now covers 15 of the 23 provinces in Argentina. It comprises 500 federated exchange systems, nearly a quarter of a million members, and an estimated turnover equivalent to one billion US dollars (Primavera, 2000:6).

The economic context for this extraordinary development was the result of changes in Argentina since the early 1980s, which have witnessed negative economic growth, endemic inflation, rapidly growing unemployment and the decimation of the structures and benefits of the welfare state. Initially the Global Exchange Network resembled a LETS scheme with transactions recorded centrally. The founding group then issued non-transferable bonds which were quickly transformed into transferable bonds, taking the form of a paper currency called 'Credits' (DeMeulenaere, 2000).

What is significant about this scheme is the rapid growth of participation, in terms of kinds of transactions, value of turnover and geographical reach. Based on neighbourhood groups each province issues its own currency that are exchangeable in other networks. Originally the trade was mainly in consumption goods --fruit and vegetables, cooked meals-- then clothing, textiles and handicrafts, but soon professional services including dentists, lawyers and doctors joined. Each local and provincial network runs a weekly market that also includes personal services such as hairdressing, tailoring massage etc. An important aspect of the Argentina model is the participation of people across class boundaries, and the explicit organizing principle of reciprocity,

institutionalized by the insistence that all members are 'prosumidores' --both producers and consumers, echoing Cahn's concept of 'co-production'.
In a situation of increasing impoverishment, researchers estimate that household consumption can be increased by up to US$600 a month, an important sum given that the annual minimum wage was US$300 in 2000 (Primavera, 2000:6).

Outcomes of community currencies
There are a number of other similar initiatives in developing countries, including schemes in Thailand, Mexico Senegal, Peru, Brazil and El Salvador (see <http://ccdev.lets.net>). These reflect a series of common concerns and objectives that are similar to those in the North. Firstly they are economic: to respond to situations of market failure or economic exclusion, by circumventing the problems in conventional money-based market systems which have seen money being systematically withdrawn from peripheral localities and regions for investment elsewhere, leaving a shortage of local liquidity and a lack of effective demand for local goods and services.

Secondly is the building of trust and social capital, fostering mutually supportive community networks, through interpersonal transactions and face-to-face contact which many people feel is missing from conventional economic relations and society.

And thirdly community currencies can reinvent --or restructure-- the market, rewarding and valuing services and skills that are not recognised by the market economy, such as caring socially reproductive services, as well as the labour of the unemployed for whom the market currently has no demand.

Lastly, but importantly, such initiatives promote local self-reliance in terms of building up a locally provisioned economy, rather than relying on imported and transported inputs and commodities, which is central to visions of more environmentally sustainable ways of living and working (Douthwaite 1996; Seyfang 2000).

Community currencies can be an effective tool for meeting social and economic development objectives, but it important to learn from the development of different initiatives and recognize the importance of adaptation to specific local contexts, in both North and South. However, in spite of variations in history and context, the current wave of enthusiasm for community currencies is motivated by commitment to sustainable development and the construction of local economies based on social justice and inter-dependency.

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