scale. Any change always involves the risk of unintended consequences. Logically, large-scale change involves greater risk.

With these distinctions between the conventional competitive system and the emergent cooperative money system, how would a new divergent monetary ecology work in practical terms?

Chapter Five

THE FUTURE HAS ARRIVED
BUT ISN'T DISTRIBUTED
EVENLY... YET!

There is not the slightest indication that we will ever be able to harness atomic energy.

ALBERT EINSTEIN, 1939
(13 years before the atomic bomb was dropped on Hiroshima)

A quiet revolution is happening that has, for the most part, gone underreported. The number of contemporary cooperative currencies operating in the Western world has grown exponentially from two in 1984 to more than 4,000 mature systems today. They are more prominently in use in Latin America, Australia, Japan, and continental Europe than in the United States, although the current economic downturn is resulting in a significant increase in the United States and globally. The oldest written record of an operational cooperative system still in use today is found in Bali, Indonesia. The island-wide system was first documented in 826 AD, when writing was first introduced in that area, and it's believed the system was thriving for centuries prior to that date.

A diverse monetary ecology is what is needed to stabilize the global economy, but the flowering of cooperative systems and other monetary
innovations has tended to be in small pockets, driven by struggling local economies. As futurist John Naisbitt noted, "Change occurs when there is a confluence of both changing values and economic necessity, not before."\(^1\) The cooperative currency movement is a major boon to the million-plus nongovernmental organizations and local communities around the world that Paul Hawken identifies as the most powerful instruments for change in his book *Blessed Unrest.* He observes, "After spending years researching this phenomenon... No one knows its scope, and how it functions is more mysterious than meets the eye. What does meet the eye is compelling—coherent, organic, self-organized congregations involving tens of millions of people dedicated to change."\(^2\)

Interestingly enough, the cooperative currency that most people are familiar with is frequent flyer miles, as mentioned in the previous chapter. Such commercial *loyalty currencies* are the largest complementary currency system in existence today, the most widespread of which are airline reward programs. American Airlines introduced the first of these programs more than 30 years ago as a simple marketing promotion. There are currently about 92 airlines issuing miles. Increasingly, frequent flyer miles are redeemable for a variety of services besides airline tickets, such as long-distance and mobile phone calls, hotels, cruises, and catalog merchandise. They have developed into a *corporate scrip*—a private currency issued, in this case, by airlines. In fact, about 54 percent of miles are not earned from flying. Instead, credit cards that offer bonus miles with purchases have become the most popular way to earn frequent flyer credits.

Just as frequent flyer programs are highly successful and used quite seamlessly by the general public, other currencies have been created and are working to enhance the business and/or social aspects of their communities, from local neighborhoods to states. For example, *Torekes* are operational in a mostly recent immigrant neighborhood in Ghent, Belgium, and the *Chiemgauer* in the prosperous region of Bavaria in southern Germany. There is a time currency that revitalized the Welsh former mining town of Blaengarw, an international currency called the C3 in Brazil and several other Latin American countries, and last but not least, the grandfather of modern business-to-business systems, the *WIR* in Switzerland.

Most often, cooperative currencies are either mutual credit systems, such as LETS or *TimeBanks*, both of which are explored later in this chapter. But the possibilities are unlimited: A garbage-backed currency is thriving in Curitiba, Brazil, while other models link their currency to a national currency such as the *regio* in the Germanic parts of Europe, the *BerkShares* in New England, and the *Totnes or Brixton pounds* in the United Kingdom.

The purpose of these cooperative currencies usually falls into one of two distinct categories. One is for social purposes, where the intention is predominantly to motivate people’s behavior and to meet societal objectives, such as creating a more close-knit community and addressing social isolation. A second purpose is to support local businesses, in which the currency is designed principally to circulate and to meet objectives such as stimulating employment or fostering a campaign to buy local products and services.

**LETS—MUTUAL CREDIT**

The most frequent cooperative currency system in the world today is LETS, an acronym for "Local Exchange Trading System." It was invented in the formerly economically stable middle-class town of Courtney in the Comox Valley near Vancouver, Canada, in the early 1980s when it was enduring a 40 percent local unemployment rate.

“We are a town of about 50,000 people, and the major industry was a defense base, plus the town was a dormitory for timber, mining, fishing, and a bit of tourism at that stage. In 1982, everything stopped. The defense base moved, and the Bank of Canada was running at 14 percent prime, and mortgages were approximately 18 to 20 percent in some cases. I was a sole proprietor business teaching the Alexander technique with a clientele of mostly schoolteachers. And obviously, it's a very
selective market. When the sand ran out of the economy, my business dried up in a matter of months, as it did for many others in our area," remembers Michael Linton.  

He observed that there were plenty of things to be done and a large, skilled labor force willing and needing to work. Needs went unaddressed, however, as unemployment persisted. The missing link was money. Without money, the requisite transactions simply could not take place. Linton continues: "The greatest deficiency of conventional money is that for too many, it is simply not available. By its very design, there is only a limited amount of it created. And as conventional money must come from somewhere outside the local community, it inherently doesn't understand or concern itself with the needs of a particular community."

Consequently, LETS was created to facilitate much-needed trade within circuits in local neighborhoods, villages, and towns.

The LETS system can be used for any number of needs and transactions. For instance, Anne cuts hair, John fixes cars, and Lisa is an organic farmer. Anne and John negotiate the price of a haircut and decide on L15 (15 LETS units) and $5. Anne’s account is credited L15, while John’s is debited L15. With her earned LETS credits, hairdresser Anne negociates with farmer Lisa to get some organic vegetables for L10. Thus, Lisa’s LETS account is credited L10, and Anne’s is now debited L10. Meanwhile, Lisa’s car now needs a tune-up, and she agrees with the mechanic John on a price of L30 for labor and $15 for parts. At the end of these three interactions, Anne has a net positive balance of L5 (L15 earned giving John a haircut minus L10 spent buying organic produce from Lisa). John has a positive balance of L15 (L30 earned working on Lisa’s car minus L15 spent on the haircut by Anne), and Lisa has a negative balance of L20 (L10 earned by Anne’s purchase minus L30 for the tune-up by John). With a LETS system in place, Anne, John, and Lisa were each able to use their skill sets to offset costs and the scarcity of national currencies to afford certain goods and services.

In contrast to conventional money, a negative balance in LETS is not a problem. Rather, it is an indication of community activity, showing that people have been acquiring goods and services from others in their neighborhood. Members with a negative balance can be called on to offer goods or services in return, further increasing the community’s wealth. Some programs set debt limits to avoid abuses, but generally there is a common understanding that debts will be repaid. For instance, citing the example given here, farmer Lisa will pay back her L20, whether through organic produce sales or by some other means she has to offer.

The LETS system is an example of a mutual credit system, whereby currency is created by a simultaneous credit and debit in a transaction. As a mutual credit system, the LETS’ money supply is self-regulating, since members issue their own currency within the framework of their community. It overcomes the limitations imposed by a scarcity of national currency and, instead, promotes efficiency by enabling participants to use what is already available within their trading community. It is also customarily transparent, with an open record kept of both credits and debits. This self-regulation and transparency promotes greater trust, and people are held more accountable.

Other advantages of LETS include prompting people to use skills they might not have considered valuable, for example, cooking, driving, Web designing, teaching English, or gardening. It also gives access to services that members may not otherwise be able to afford.

The LETS system is now operating in many different parts of the world. Given the highly decentralized nature of the transactions, nobody has been able to tally an accurate number of exchanges, but its spread around the globe testifies to its success. A partial list of nations in which LETS currently operates includes Argentina, Austria, Belgium, Brazil, Canada, Chile, Colombia, El Salvador, Finland, France, Germany, Hungary, India, Indonesia, Ireland, Israel, Japan, New Zealand, Nigeria, Norway, Poland, South Africa, Switzerland, Thailand, and the United States.

Australia has many communities actively trading in LETS. One interesting application is QuipShare. The currency, called the quip, is the medium of exchange that enables people to pay for the use of a
piece of equipment without having to buy it. Think about how often one uses a snake for a blocked sink, a jumper cable, or a blowtorch. Usually, household, gardening, and do-it-yourself tools just sit in the shed or a drawer unused.

Through QuipShare, one can locate and borrow items, and on the other side of the transaction, lend out various items. By sharing equipment, more use is made of tools and machinery that might otherwise sit idle. All protocols and agreements between the parties are available on their website for downloading. This bright idea started at the weekly Tilba Growers Market in Central Tilba, located in the southeast of New South Wales province, and has now spread to other regions.

**TIME DOLLARS—TIME-BACKED CURRENCY**

The time dollars system was created by attorney Edgar Cahn. As a Fulbright scholar, cofounder of the National Legal Services, a speechwriter and counsel to former Attorney General Robert F. Kennedy, and a close associate of Sargent Shriver on the War on Poverty and the Peace Corps, Cahn has dedicated much of his life to those less fortunate than himself. He had the idea for the time dollar program while recuperating from an illness.

“There were two separate forces coming together at the time. It was less a matter of coping with my convalescence, but more of my reaction to feeling useless and helpless. I was getting the care I needed, but the notion that I would spend my life as a recipient of services, even affection, was to me not really being alive. I am about making a difference in other people’s lives,” reflected Cahn.

“Secondly, it was 1980. We had a recession. We had all kinds of people being laid off. I understood that they didn’t like feeling useless any more than I did. My opinion was backed by a larger perception that all the advocacy work that my law school had been doing was winning some battles, but basically we were losing the war on the fundamental issues of equity of society, and redress of injustices. We would be cham-
“While at the London School of Economics, I soon came to realize that we were involved with an ongoing dialogue about the function of interest rates and how that distorted money. Money’s primary value is its external trading value. Furthermore, the price—the amount of money one is willing to pay—is defined by its value and that value is determined by supply and demand. In order words, if a thing is scarce, it is valuable; if it is abundant, it is cheap. If it is truly abundant, it is dirt cheap or worthless. And that means that every capacity that defined you as a human being and enabled the species to survive and evolve is worthless. We have created a monetary and pricing system that has devalued many fundamental human capacities.”

In comparison, a cooperative currency operates very differently. It is created in sufficient, and by its very design, it is spent into existence while connecting unused resources with unmet needs. This affords the opportunity to honor people in entirely new ways.

Lisa Conlan is CEO of TimeBanks USA, which has a nationwide count of some 286 systems. “The first thing that drew me to time dollars was that I was overseeing a family-run advocacy organization in Rhode Island. So part of the support network is unique in that the families with children with behavioral health issues were helping one another. This type of help touched on child welfare, juvenile justice with kids with high levels of behavioral issues, and mental health needs. Two things struck me, however. One, what would happen if we couldn’t find the funding we needed? And how do we really tap into the families’ energy and creativity to truly support one another? In my search, I stumbled on time dollars in 2007.”

Using time as a unit of account, the families are able to arrange a variety of services and all-important social events. Conlan continues: “Many of our families were isolated, especially due to concerns about their children’s behavior in group settings, but they felt more relaxed with a bunch of people who have the same situation and outlook. Transportation is another big issue—being able to get rides when people needed them. Also respite, a short break for a caregiver when someone covers for them, is also critical to the families. So we have been actually expanding and supporting families beyond children’s behavioral health across the life span, from children with special needs to adults with developmental disabilities to our elders, in providing their caregivers with respite relief. What’s more is that people who are exchanging that support in the TimeBank, they can also get workforce development skills as a bonus.”

Cahn reports that TimeBanking is spreading throughout the United States and globally like wildfire. “On average, five new time banks have started up in the U.S. every week since the beginning of 2012. They are using our model, which is coproduction. This is a partnership between the monetary economy and the economy of community.”
Meltem Şendag and her associate Ayşegül Güzely met at the University of Istanbul in their native Turkey when they were both studying international business. On graduating in 2005, both left their country to gain work experience abroad. Meltem went to Ireland to work for Google, and Ayşegül to Barcelona, Spain, to work as an innovation consultant. While in Barcelona, Ayşegül became acquainted with TimeBanking. In 2010 they returned to Istanbul, and founded, using their own funds, a social TimeBanking network that they named Zumbara. Zumbara uses Web 2.0 design and also integrates the next generation of social media platforms, such as Twitter and Facebook. It’s now a community of 5,000 people offering services to one another.

Going to the heart of the matter, Meltem remarks: “We both want to move from the competitive society, which we both experienced working in the corporate world, to one of cooperation. With our former careers, we would have to live with the values that we do not believe in. Our lives were laid out for us if we were to have stayed on that path. Now, with the TimeBanking community, we are experiencing how it would be if the world was designed for generosity. In this cooperative world now, we are experimenting with the idea that we have what we need if we use what we have by trading services and acts of goodwill, thereby emphasizing the values of time, reciprocity and relationships.”

Here are some other examples of time dollars operating across the United States:

- In 27 of Chicago’s lowest-ranking elementary schools, fifth- and sixth-graders (many in special education and/or labeled ADD) earned time credits as tutors of first- and second-graders. The need for special education and remediation went down; test scores and school attendance went up; fighting and truancy went down. More than one school ceased to be on academic probation. While there is nothing new about older kids tutoring younger kids, it has proven to be a successful strategy to encourage more students to engage in such a practice.

- In Oakland, California, the Alameda County Department of Public Health funded a TimeBank in a neighborhood beset by racial violence. African Americans are now teaching English to Hispanics, who in turn are teaching Spanish to their neighbors. Violence has gone down. “We see similar bridging of ethnic, national origin, age, gender, and class differences in New York City, where the Visiting Nurse Service has created a Community Exchange with nearly 3,000 members in Chinatown, Washington Heights, the Lower East Side, and Battery Park; 70 percent were born outside the U.S., 100 percent report that their physical health, mental health, and well-being have improved and their trust for others has increased. In Allentown, Pennsylvania, Latino patients ‘pay it forward’ by serving as medical translators for their doctors; with training, they get certification and are hired by the hospital,” Cahn continues.

- In upstate New York, the Youth Advocate program has incorporated a pay-it-forward element for youth on probation or subject to confinement at detention centers. Enrolled in a Red Cross-supervised restorative justice program, they earn credits teaching homeless people to use computers and prepare résumés, working in soup kitchens, and collecting canned goods and toiletries. In Washington, D.C., for the past 10 years, teenagers have earned time credits by serving as jurors in the Time Dollar Youth Court, which hears the cases of peers accused of nonviolent crimes. Offenders may be sentenced to community service, life skills classes, an apology, writing an essay—and duty on the jury. Cahn adds: “Recidivism rates are less than 10 percent. The Urban Institute estimates that the district saves $9,000 for every offender who goes to Youth Court instead of the traditional system.”

- The National Homecomers Academy enrolls people leaving prison as students on a journey of personal development, learning, and service. Community service includes providing safe passage for youth to get to school through gang territory or helping reduce violence by teenagers in a mixed ownership-tenant housing development. Nationally, recidivism for persons returning from prison is in the 60 to
70 percent range within three years. "To the best of my knowledge no one involved in this TimeBanking program has ever returned to prison," adds Dr. Cahn proudly.12

- According to Stephanie Rearick of the Dane Country (Madison), Wisconsin, TimeBanking program: "In exchange for one TimeBank hour, Madison Gas and Electric Company (MGE) shows TimeBank members simple ways to save energy in their homes or apartments. These tips have resulted in significant savings in members' utility bills. To participate in this project, each TimeBank member who's interested completes an MGE-instructed energy-saving workshop, and the local utility oversees their work to ensure the information being provided is accurate and achievable."13

- Mayor Bloomberg has launched TimeBanking for seniors in all five boroughs of New York, as baby boomers turn 65 at the rate of 10,000 per day for the next two decades. Seniors can live longer in their homes independently because they can avail themselves of services offered by people within their TimeBank community, such as rides to a doctor's appointment, help with writing letters to their insurance company, or making sure that the handrail in the bathtub hasn't become dangerously loose.

- Bike repair in the San Francisco Bay area is an interesting and very successful application of TimeBanking. "Bike maintenance and repair tend to be expensive. We now have two locations where people can take their bicycles and do the repairs themselves under supervision by experienced repair people," says Mira Luna, one of the principal organizers. "We started the Bay Area Community Exchange network about two and a half years ago, and it is already the third largest TimeBank in the country." Currently, they offer some 20 different categories of services, from health and healing to urban homesteading.14

- In Montpelier, Vermont, the Administration on Aging has invested in a form of TimeBank called Carebanks. Seniors can get an assurance that informal care and support will be available if they or their families pay regular premiums in time dollars earned helping build community or helping other seniors. In effect, the program uses TimeBanking to create a new form of extended family. It is too early to project cost savings. But a recent study reveals that, as home-based care gets cut by state governments, hospital costs are likely to rise as people put off preventive care or end up rehospitalized due to the lack of transitional care.

Sharon Lee Schwartz is regional director of Legal Aid services of Oregon. "Well, first of all, we're not allowed to charge for our services, so we're not looking at it as payment for legal aid. We are asking clients to sign a pay-it-forward agreement, in which they agree to match our time, hour for hour, by earning time dollars within their community. For example, if somebody takes our custody class, and then we meet with them individually to follow up, it might take three hours. We in turn ask the client to volunteer through the time bank to help somebody else for three hours. They then get to keep the time dollars to spend for something that they need. It's a pay-it-forward system, but they still keep the benefit."15

According to Cahn, there are now over 286 TimeBanks in the United States and approximately 300 in the United Kingdom, and TimeBanking has now spread to an additional 34 countries internationally. In recognition of the social contributions offered by time dollars, three separate IRS rulings make this cooperative currency the only officially tax-exempt currency in the United States.16

REGIO

In the early 1980s, Margrit Kennedy, then professor of architecture at the University of Hannover, Germany, was in charge of the design of ecological buildings for Berlin's International Architectural Exhibition. The response to her designs was mixed. "People would say, 'This is great, but it doesn't make economic sense,'" recalls Kennedy.17

After some research, she realized that the current monetary system deeply shapes what "makes economic sense," and as long as a
monopoly of this system is in place, sustainable architecture and building, and consequently sustainable communities, will never become widespread enough to make a real difference. Short-term planning and destructive business practices are simply more profitable when interest-bearing money is the only option available. In 1987, she outlined the problems with interest-bearing money in her book, *Interest and Inflation-Free Money: Creating an Exchange Medium That Works for Everybody and Protects the Earth.* Soon, however, she recognized that she had found a way to create sustainable money: “I knew if I didn’t find another monetary way, our societies would never become truly viable.”

Regions, according to Kennedy’s definition, are geographical areas to which people “feel connected.” That is, they are not artificial political units but, rather, based on people’s own perceived identity. A region may have several thousand or several million people and be centered around a town, a watershed, or a river basin. In many parts of the world, regions have strong specific identities and a deep connection to the ecosystem in which they are located.

Many observers have pointed to such bioregions as potentially sustainable alternatives to the globalization currently homogenizing our world. While nation-states are better suited to handle large-scale policy issues, regions may be better at dealing with their own specific social and ecological needs—that is, if they are given the right tools. Regional currencies are one tool necessary for such a strategy. In fact, Kennedy shows that sustainable regional development is impossible without such a monetary reform.

Germany and Austria are now spearheading regional currency projects, generically called regios, which complement the euro. Regio currencies give regions the autonomy necessary to deal directly with their particular social, ecological, and financial problems. Moreover, they are designed to benefit the region’s businesses and services. As we know all too well, the net cash flow spent in big businesses usually flows in the direction of corporate headquarters outside the region, perhaps thousands of miles away.

A case in point: A study designed to evaluate the economic role played by independent businesses in the busy Chicago North Side found that every $100 spent with a local firm leaves $88 in the Chicago economy, while $100 spent at a chain store leaves only $43 in Chicago. And for every square foot occupied by a local firm, the local economic impact is $179, versus $105 for a chain store.

Regios, by contrast, support regionally based commerce, adding to the uniqueness and strength of each area.

Particular types of regios—each with a different name, structure, and purpose—are being designed to meet the specific needs of a given region. Within the network, 34 systems are now established and operational. There are another 30 projects still in development by the regio network in German-speaking Europe (Germany, Austria, and Switzerland). These projects are typically not initiated through an infusion of start-up capital but rather through the hard work of groups of volunteers who want to see their region flourish.

Kennedy remarks on the volunteers’ dedication: “The time outlay is considerable: It takes three to five years until you get into the zone where the whole operation can be self-financing, so it’s not a trivial task. Those who run these groups do it because they love it. They really feel they are doing something useful; for some, it actually gives purpose to their lives.”

**CHIENGAUER—DEMURRAGE-BEARING CURRENCY**

The Chiemgauer system is based in Bavaria, southern Germany, and is part of the regio network. It encourages locals to shop at their neighborhood businesses rather than at the larger chain stores, thereby supporting local production and enterprise. It was designed by six teenagers at the local Rudolph Steiner School and has caught the attention of dozens of other communities around Europe and beyond.

Inspired by their economics teacher, Christian Gelleri, these six young women created a money system that increases local employment,
thanks to the higher demand for local goods and services. It has a built-in mechanism that makes it possible to financially support charities and good causes chosen by the users themselves.

Regional nonprofit organizations that wish to participate purchase 100 Chiemgaus for their members for 97 euros. This currency is then used at par (one Chiemgauer for one euro) to purchase goods and services in participating stores. It can be cashed back into euros for a penalty of 5 percent, providing an incentive to keep it circulating rather than converted back into conventional money. The tally at the end of the process is that 95 percent remains with businesses, 3 percent goes to the nonprofit chosen by the buyer, and 2 percent goes to the Chiemgauer currency administration to cover overhead.

There is an additional feature to this currency that differentiates it from conventional money: The Chiemgauer is a demurrage currency, meaning that it is time-stamped with a quarterly “parking fee.” This creates an incentive to circulate the local currency rather than hoard it. The customers can buy nearly everything with the Chiemgauer: food, clothes, medicine, furniture, and a wide variety of local services.

Today, there are 600 participating businesses with 555,000 Chiemgaus in circulation and a turnover equivalent of over 6 million euros in 2011. It is the largest and most successful scheme within the region network. The Sternthalerc currency, which operates in the adjacent area of Upper Bavaria, and partnering with the Chiemgauer, provides access to an additional 500 businesses to the system. Seventy-five percent of the cooperative money is now in electronic form. Now every business participating in the program has received readers since the electronic Chiemgauer was launched. Ten local branches of cooperative banks provide banking services in Chiemgauer.

The government has also introduced a distance tax to encourage support of local business. Gellert explains, "The distance fee depends on proximity and is only charged to those using Chiemgauer in cash. If you buy from your own region or an adjacent one, such as around Munich, you pay nothing. If a business in Munich wants to spend Chiemgauer in Frankfurt, it pays, for example, 1 percent. If it imports something from Spain, it pays 4 percent." 22

All participating members report that, by using their Chiemgaus, they have a stronger feeling of belonging to the local community and of contributing to its socioeconomic well-being.

BERKSHARES—BACKED BY USS

BerkShares are a local currency for the Berkshire region of Massachusetts, heralded as a "great economic experiment" by the New York Times. Launched in the fall of 2006, BerkShares are backed by national currency. The 13 branches of five local banks operate as exchange bureaus and have issued 3.3 million BerkShares to date. Currently, more than 400 businesses have signed up to accept the currency.

At a local participating bank, U.S. dollars can be exchanged for BerkShares, and users can then shop or dine out with the local cooperative currency. The exchange rate is $95 for 100 BerkShares. At a local shop or restaurant, 95 BerkShares has the purchasing power of $100 worth of goods and services. Thus, users of the local currency receive a 5 percent discount to encourage support for local businesses. The merchants can use these BerkShares to purchase local products themselves, give change to customers, or partially pay...
employee wages. They can also deposit this local trading currency at participating banks.

"We estimate that each BerkShare circulates four times before returning to the banks—but that is anecdotal. Some stay out without returning, facilitating multiple local exchanges. Some go directly back to the banks at the end of each day. So, on estimate, of 12 to 15 million in trade in BerkShares in a region of 19,000 year-round residents, about 135,000 stay out in circulation at any one time," remarked Susan Witt, educational officer of the New Economics Institute, which launched the program.

In addition to keeping money circulating locally and encouraging merchants to buy and sell local products, this local currency also stimulates more home-based industries, possibly inspiring the unemployed to use their uncompensated skills in new business ventures.

According to Witt, once the community has had sufficient experience in using and trading BerkShares, there are plans to provide zero-interest loans for the start-up of new businesses. Trust and transparency are essential for community currencies, members will be kept fully informed about what their money is doing. Future plans may involve BerkShares checking accounts, electronic transfer of funds, ATM machines, and even a loan program to facilitate the creation of new, local businesses manufacturing more of the goods that are used locally. Participating banks are also trying to figure out how to start making loans in the local currency, not tied to federal dollars, which would mean backing the BerkShares with something real: not gold, but a basket of commodities—firewood, apples, wind power—the kinds of things you can produce in western Massachusetts.

The currency is now spreading out of the southern half of the county, the Tanglewood Berkshires, into the Pittsfield area and even to a few towns just over the New York and Connecticut state lines.

**COOPERATIVE CURRENCIES AND INFLATION CONTROL**

One of the strongest objections to issuing currency is that it could create uncontrollable inflation. Inflation is commonly defined by its outcome—higher prices—rather than its cause, which is simply too much money in circulation chasing too few goods and services.

Consequently, the introduction of a local cooperative currency could lead some economists and monetary theorists to conclude that a parallel money system would automatically add to inflationary pressures on the economy as a whole.

The objection would be valid if, and only if, this second currency were a fiat currency, as is the case for the dollar, the euro, the yen, or any other national money. Local currencies, however, are intrinsically different from fiat money and can be designed specifically to avoid contributing to inflation. The most generally accepted economic insight is that inflation results whenever there are not enough goods and services produced for the quantity of money in circulation: too much money pursuing too few commodities. Rather than argue from theory, let's look at three practical examples of increasing complexity.

In the case of simple barter exchanges, where no currency is involved at all, the only effect of such an exchange is who owns what. No inflationary pressures arise from barter exchanges, given that the overall quantity of both goods and currency in circulation remains unchanged.

In terms of mutual credit systems (such as LETS and many other local exchange systems), the supply of the product or service is simultaneous
with the creation of the currency. In this regard, such exchanges are similar to barter: For every credit generated, there is a simultaneous creation of a debit within the same community. For example, if Jane drives Fred to a doctor’s appointment, Fred is debited while Jane gets the corresponding credit. Jane spends her credit at the farmers’ market by purchasing some locally grown apples, while Fred addresses his negative balance by teaching a Spanish class or fly fishing to neighborhood children. The net amount of currency in circulation therefore remains unchanged, exactly as with straightforward barter. In fact, from a monetary perspective, mutual credit systems simply facilitate multilateral barter.

Does issuing airline frequent flyer miles increase the number of times a passenger will fly? The answer is, of course, yes. Does it, however, create inflationary pressure on the airline airfares? The surprising answer is no, because any airline manager worth his or her salt will ensure that anybody using the free frequent flyer ticket is sitting in a seat that would otherwise be empty. That is why there are restrictions such as blackout dates or quotas limiting the number of frequent flyer passengers on a given route.

The ability of businesses themselves to better manage their excess capacity—from a theoretical inflation-control viewpoint—is one of the intriguing aspects of using a cooperative currency approach. Within a fiat currency environment, there is no easy way for businesses to differentiate among customers to improve the use of their spare capacity and thus increase productivity.

But cooperative currencies behave differently than conventional money.

Local currencies can be designed specifically to not create inflation. In contrast, the history of conventional national money over the past century has been one where inflation almost seems to be built in. Today, one would need approximately $405 to purchase the same goods that cost $100 back in 1975. Even the world’s least inflationary national money, the deutsche mark when it existed, lost 57 percent of its value between 1971 and 1996.

As Edgar Kampers, Director of Qoin—Money That Matters, a Dutch not-for-profit organization that designs, implements, and supports community cooperative currencies, cogently remarks, “It’s critical to understand the definition of the word currency. So for me currency is information between a buyer and a seller. Two people are involved in a transaction where the money symbolizes the exchange of value. So, I buy a sweater. We agree that it’s worth 20 units of whatever. The sweater is the thing with the value; the money is not, of course. Money is not valuable at all, but money allows you to buy things, which are valuable. This distinction should be understood. And it’s not generally known or appreciated by most people.”

With this general understanding of the various distinctions at work in the domain of money, let’s explore applying cooperative monetary solutions in the sectors of banking, business, government, and finally, last but not least, nonprofits or nongovernmental agencies (NGOs).