

Local Currency

A Revolution That Sounds Like a Whisper

Amy M. Kirschner

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When the French and Russian revolutions overthrew the established orders in their countries (in 1786 and 1917, respectively), they changed just about everything, but not their monetary systems.

— Bernard A. Lietaer, *Of Human Wealth*

Vermont has a long history of challenging the status quo and being fiercely politically independent. As we look to the future, especially as the global economy forces new dependence, it is imperative that we strive for an economic independence to match our political independence.

Our economic system inherently requires competition and expansion. The need for an expanding competitive marketplace necessitates never ending growth and environmental harm, constant fear of economic loss, and the sad reality that many are left with nothing. Few are the people who see that we can change our economic system to reflect higher values: cooperation, stewardship of the environment, and an equal voice for all.

What would an economic revolution look like? It is imperative that we begin with how money works because that is a basis of what determines our economy. Greatly simplified, the creation of money occurs when banks issue loans to borrowers—the bank is not loaning money that others have deposited, as many people think, but is actually writing a check for money that did not previously exist. Since banks can loan more money than they actually have, needing only “fractional reserves,” each loan is actually creating money. When banks issue loans, they charge interest. At current rates, for every \$100 that is created, \$106 is owed. Because of the economic system we have, at every moment of time more money is owed than is in current circulation. This means that there will always be economic losers and that for most people and businesses to meet their debts the economy must continue to grow. The never ending fear of failure to meet obligations naturally leads to competition and the belief that environmental stewardship and social equity are secondary to economic growth.

Another facet of our economic system is that money is global and can travel quickly worldwide. But with the advent of the global marketplace where dollars consistently seek out the highest rates of return, there are many projects that are in the community’s best interest that are not funded because they are not profitable in the short term. Examples of these projects are investments in local food production, renewable energy, affordable housing, durable clothing, education and school infrastructure, and caring for the needy.

We have the ability to create a new system with new values inherent in it. A network of local and complementary currencies, whose money is created interest free, would dramatically alter our national behavior and culture. A wealth of dormant and disenfranchised capacity would be unleashed as citizens became engaged in maximizing creative utilization of already existing local resources. This is not a dream; it has happened thousands of times in the past and today there are over 4,000 local currencies now strengthening local economies around the world.

Imagine the local pride and feeling of empowerment that would be created if communities recovering from natural disasters could start the recovery by simply facilitating the exchange of needed goods and services through a new locally-based monetary system, thus harnessing contributions and abilities of their local citizens. Or imagine the boost to local farmers and merchants

and the decrease in fossil-fuel usage if there existed a currency in wide use that could only be spent locally. Globalization and national currencies have tipped the balance in favor of large corporations and centralized distribution without accountability. By contrast, a local currency reempowers a community to issue credit to local businesses, institutions, farmers, and individuals to undertake projects that enhance local quality of life, reflect community values, and build long-term community wealth and well-being. Local currencies also bring back the competitive edge that favors local businesses, local decisions, and local identity.

Local markets cannot always be 100 percent self-sufficient. It does not make common sense for each locality to produce its own computers or automobiles, and dollars will always be necessary to buy U.S. postage stamps. However, we have gone too far in assuming that one currency and type of monetary system can fulfill *all* the needs of our community. We need multiple levels of currency for our multiple needs. We need local currencies, to increase local transactions at the retail and individual level and to create a new cooperative economy where communities can become more self-reliant by providing for basic needs like food, energy, healthcare, and personal services. We need a national currency to purchase items that cannot be produced here.

The Burlington Currency Project (BCP) envisions a network of local currencies throughout Vermont connected through an electronic “mutual credit clearing system” where businesses in Rutland or Montpelier or Brattleboro could accept their own local currency from their customers, deposit it in the electronic system, and then use that electronic system to order goods from their suppliers from other parts of the state. We envision a system to encourage informal care services that track hours of volunteerism (called “Time Dollars,” currently operating in hundreds of communities in twenty-two countries) so that a high school student who “deposits” an hour mowing a neighbor’s lawn over the summer can “withdraw” an hour’s worth of tutoring at exam time. We envision the community frequently issuing the currency to create interest-free loans in order to fund projects and entrepreneurial ventures and making the repayment easier than bank loans in dollars that charge high rates of interest.

We believe that in order to have a significant impact on the community, we need to dream big. We will not believe that we have arrived until 10 percent of all Vermont’s economic transactions are conducted with local currencies and all businesses use it, until city governments accept a portion of their property tax payments in local currencies and pay a portion of their employees’ wages with it, and until it has become so ingrained in the local culture that citizens don’t think twice about it and tourists come to experience it. There is nothing and no one to fight against in this movement. There is simply self-examination, education, discussion, and ultimately choice. It is a quiet and peaceful revolution one exchange at a time. It is people taking back control of their own destinies.

UPDATE (August 2012):

Burlington Currency Project ceased operations in 2007. As part of my Master’s Thesis at the University of Vermont, I wrote a postmortem on the project that was published in the International Journal of Community Research. The major problems were the accounting difficulties in attempting to switch a fiat currency over to mutual credit and the management and funding structures of the organization itself. (See: <http://ijccr.files.wordpress.com/2012/04/ijccr-2011-kirschner.pdf>.)

I am still working on the vision on a mutual credit engine to support Vermont businesses and citizens. In 2010, I launched the Vermont Businesses for Social Responsibility Marketplace program, which is an online business to business mutual credit platform for over 1500 local businesses. You can find more information at <http://marketplace.vbsr.org>.

There has been much more success and trading volume with the mutual credit model than with a paper-based fiat currency. While a paper currency is still desirable for day-to-day Main Street transactions, I would advise that the issuance of it be tied to mutual credit accounting.