

Understanding and Reclaiming Money Creation: Our Experiences Creating the North Quabbin Timebank

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Most of us think that money is a natural, obvious, and value-free system, just a piece of paper we use to record our exchanges. But monetary systems are not natural and value-free. The money we use affects our experiences of scarcity and abundance, our sense of place, and the values we place on the work of ourselves and others. As this paper shows, we have choices about how to construct our monetary systems. But first, it helps to have a basic understanding of what money is.

This paper is divided into three parts:

Part 1: Understanding Money and Envisioning Complementary Currencies

Part 2: Five Steps for Implementing a Complementary Currency

Part 3: The Value of Complementary Currencies in Theory and Practice

Part 1: Understanding Money and Envisioning Complementary Currencies

All currencies, including national currencies like the U.S. dollar, are infused with values and choices.

Any printed currency conveys some of its values right on its surface, in its illustrations and graphic design (e.g. in the case of the U.S. dollar, illustrating certain historical figures and buildings).

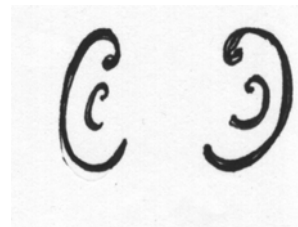
Going past this physical surface, we can identify four more values and choices regarding:

1. How the money comes into being
2. What its boundaries of use are
3. How price is determined, and
4. Whether one can earn interest.

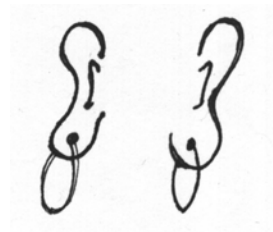
Below I explain each of these four choices in more detail, explaining a range of ways that money can come into being, the variety of geographical boundaries possible within a currency system, and options in terms of price calculation and interest. These four choices reflect the values of the community that uses that currency. To visualize these options and underlying values and see how they can be combined to create a variety of currency systems, consider the children's toy Mr. Potato Head in which one constructs a potato head from various ears, eyes, nose, and mouth options. I find this visual tool helpful for clarifying the multiple choices we have when designing a currency. Monetary policy has erred for so long on the side of mystification that I hope you will indulge me in this effort to explain currency design as clearly as possible with visual aids.

The first choice, how money comes into being, can be represented by the ears of our potato head.

These ears mean that money is created by fiat, which means “let it be made” in Latin. Fiat money comes into being out of the power of the word; in the case of the U.S. it is the word of the Federal Reserve, an appointed group that decides whether more or less money should be circulating. Fiat systems require some scarcity so that the money keeps its value.ⁱ



These ears mean that money is a backed currency –a claim to a given quantity of a pre-determined commodity, which typically requires that a central bank have that commodity on hand to meet any such requests. When the U.S. dollar was “on the gold standard” it was an example of a backed currency.



These ears mean that money emerges out of mutual credit, which means that the currency is created at the time of the transaction as a corresponding credit and debit for two parties, as in a barter exchange or in a Timebank, a currency discussed below. No central bank is needed, but a system of keeping track of credit and debit is helpful.



The eyes represent a range of choices about geographical boundaries in the monetary system.

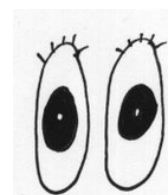
These eyes mean that the money has continental boundaries of use, such as all of Europe.



These eyes mean that the money has national boundaries of use, such as Canada.



These eyes mean that the money has local/ regional boundaries of use, such as Ithaca Hours used in Ithaca, New York, or Berkshares, used in Berkshire County, Massachusetts.



The nose represents choices about how price is determined within the monetary system.

This nose means that price is negotiable. Parties can decide the price of a person’s skill or products. Some skills may be worth more or less than others –this is the “market,” also known as supply and demand, a system of price and is the most common way that price is determined.



This nose means that price is non-negotiable. The price of everyone’s skills and services is predetermined, as in the Timebank system, where everyone’s hour

of work is seen as equal in value. In Japan's *fureai kippu* program, the price is pre-determined, but different services are given different values.

The mouth represents whether or not interest is permitted within the currency.

This mouth means that interest is permitted so that people with the currency can lend it out in exchange for a profit. A currency that allows interest enables people with currency wealth to accrue more – and such mass accruals have enabled big economic changes like the industrial revolution, which needed a lot of capital investment.

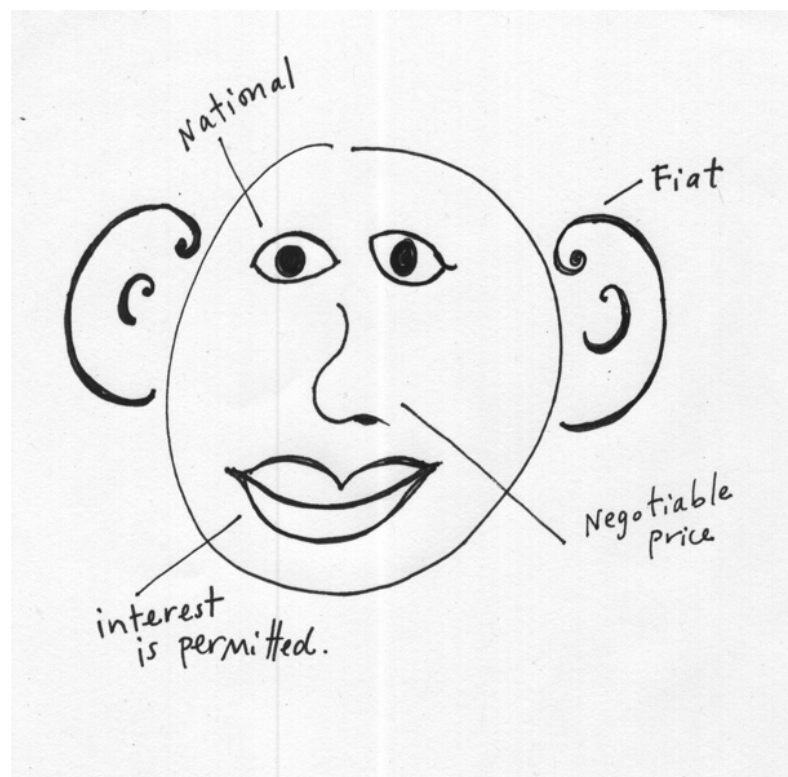


This mouth means interest is not permitted, so people are not able to lend the currency out for profit. People have less of an incentive to save in a system without interest – thus keeping the currency actively circulating and helping people exchange services and goods.



Consider the following two currency systems (one mainstream and one not) represented as potato heads, made up of combined ears, eyes, nose, and mouth choices. Each of the two currencies embodies values about scarcity and abundance, sense of place, how to measure contributions in the world, and how to distribute resources. After seeing these two examples, try crafting other potato head currencies out of the described ears, eyes, noses, and mouths described and identify the values they embody.

The U.S. Dollar potato head:



Each of these four choices has both complex implications. The U.S. dollar currency comes into being from fiat, and the Federal Reserve that oversees the money creation requires that the currency be somewhat scarce. There is never enough money for everything that needs to be done – this is a choice that is rarely examined, but has a big impact, particularly on cash-poor parts of the society. At the same time, fiat money creation is one way to manage an economy.

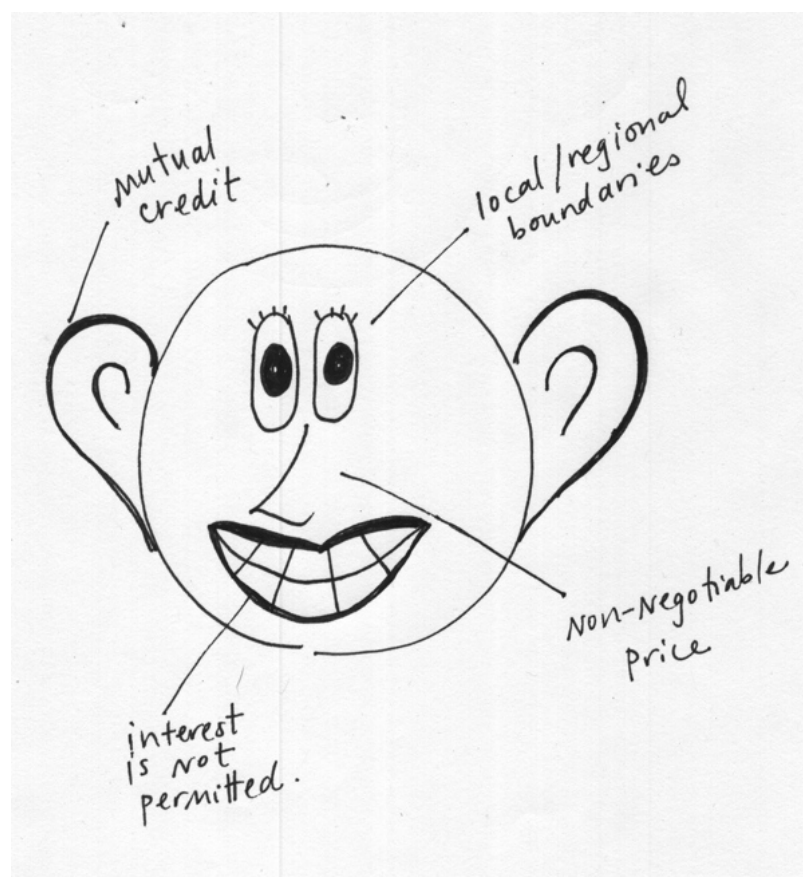
The dollar has national (and in some instances international) boundaries for use; such boundaries reinforce a sense of commonality and connection to a nation-state over, say, connection to a town or to the whole world. The nation state

sensibility prioritizes the well being of the nation state over these other boundaries –distinct local and broad global identities may both suffer as a result, with negative peace-keeping and environmental implications. At the same time, having a small, local geographical border within one’s monetary system could lead to disconnection and lack of cooperation with other regions. It can become complicated to trade easily.

Price in the dollar monetary system is determined by supply and demand (the “market.”) This system is criticized for valuing abstract concepts of supply and demand over people’s actual needs. The market way of determining price is also embedded with sexist and racist values, demeaning the work that women and people of color do and according it lower prices. On the other hand, the market is defended as a self regulating system, giving feedback to producers and workers in an economy about what work does or does not need to be done.

Finally, one can earn interest on money one has in the dollar system—as noted above, this prioritizes savings and consolidation of wealth (which can be used for capital investment and technological or scientific innovation) over the frequent use of money for exchanges.

Compare this to the Timebank potato head. A timebank is a currency run as a community-based website where people list all kinds of services they are willing to provide or need help with. People exchange these services without the use of cash. Every time someone does a service for someone in a timebank, they earn hours that they can then spend in the timebank. Everyone’s hour of service is valued equally. A timebank can be illustrated as such:



In contrast to the pervasive scarcity in the dollar system, the timebank’s mutual credit means that as long as someone is willing to do the work and someone else is willing to go in debt, the work can get done. Scarcity is far less of an issue than it is in a fiat system. In terms of boundaries, the timebank encourages connection to locality, valuable for building community and trust with neighbors of all generations, something lacking in many communities in the U.S. Price in the timebank system is non-negotiable; specifically, everyone’s hour is valued equality –this can be very empowering for people whose work, such as caregiving, is not highly valued in the market system. At the same time, if this were the exclusive monetary system, there might be less entrepreneurial incentive. Finally, interest is not allowed, putting all the energy of this

currency into the exchange of services rather than into speculative activities, investments, or savings. This may be at the risk of having capital investment, which is helpful for many technological and scientific

innovations.

While I am sympathetic to the values within the timebank currency system, I am not suggesting that timebanks are better than dollars or that they should replace national currency systems like the dollar. Rather, I agree with Bernard Lietaer, a former currency trader and one of the designers of the Euro, who argues compellingly in his book *The Future of Money* that we need multiple currencies. I endorse having a timebank and the U.S. dollar accepted in my own locality. As Lietaer argues, having multiple currencies can enable a society to balance competitive, consolidating, and hierarchical values embodied in currencies like the dollar with nurturing, equalizing, cooperative values embodied in currencies like the timebank. Invoking the yin/ yang balance, Lietaer argues that both competitive and cooperative energies have a social role.

Two additional reasons for having multiple currencies are, first, that if a national currency fails or leaves a country because of investment or speculative behaviors, complementary currencies can prevent social collapse. Second, they can enable a community to build the “commons,” shared resources that support the common good, often democratically decided.

How many complementary currencies are there? Lietaer estimates that there are over 5,000 systems functioning all over the world. I can think of nine complementary systems of varying scales and types in my state of Massachusetts. You can see a growing map of complementary currencies all over the world and post your own, at: <http://www.complementarycurrency.org/ccDatabase/maps/worldmap.php>

Part 2: Five Steps for Implementing a Complementary Currency

Below I describe five key steps to consider while starting and sustaining a complementary currency. For each of the five steps, I write in italics about our own process establishing the North Quabbin Timebank in north central Massachusetts, which we started in January 2007.

Step One: Getting Started

The first step in starting a complementary currency is to get the lay of the land –clarifying intentions, assessing resources, and doing research.

Intentions

What are you trying to achieve by introducing a complementary currency? Is your aim:

To encourage people to shop locally?

To build community?

To empower people who have been excluded by the national currency, helping them reframe themselves as economic contributors?

To help people meet practical needs and get supplies in a cash-poor region?

To have a safety net in place in case the national currency crashes?

To meet the needs of a particular demographic or social sector, say elders or education?

To provide a competitive edge for a business or sector (as in frequent flyer miles)?

Resources

Assess your people, national currency, and technological resources.

In terms of the people-power behind this currency effort, do you have a core group of people on board?

Who are your allies?

In terms of using national currency as a resource for supporting the complementary currency development, is this effort something that can be incorporated into a paid job—for instance, work in a social service agency or university service learning program? Are there potential community funders? Are there schools nearby that could lend students (say, in exchange for giving them service-learning credit) or other resources like access to grants? Having a real commitment to compensate the coordinators of the currency is crucial for developing a long-term system.

In terms of technology, consider whether potential users of the currency have Internet access and familiarity.

Research on currency systems

In light of your intentions and resources, choose a well-suited complementary currency system. Two good websites for researching the range of options are: <http://www.appropriate-economics.org/> and <http://www.transaction.net/> You may be inspired to create your own hybrid system. Contact coordinators of existing systems with your questions about organizing and sustaining the various kinds of currency systems.

Our actual “Step One” experiences at the North Quabbin Timebank:

Our complementary currency started as an experiment in an undergraduate “Social Welfare” class that I taught at the University of Massachusetts, Amherst. The course explored a range of social welfare tools, including ones like community currencies that are still outside the mainstream social welfare discourse. Students in the course were able to experience a class-wide timebank for the semester, and then considered whether a complementary currency could be a useful intervention in a cash-poor region.

To my delight, at the end of the semester three students in the class proposed that we team up to do an independent study: starting a real timebank in a nearby low-income, town, Orange, Massachusetts, where these three students grew up. One of the students had worked at a non-profit in Orange, Young Entrepreneurs Society (YES), that was very sympathetic to complementary currencies and was willing to sponsor a timebank, so we jumped at the opportunity. As a sociology instructor, I received some departmental funding and an outside service-learning grant to cover my involvement in the project (this was not an easy sell to the department) as well as a university arts grant to fund a short video about the project. The students each received credit for developing the timebank, which we named the North Quabbin Timebank. You can see the video we created at: www.nqtimebank.org.

Since the students grew up in the region, they were able to tap community resources—extended family and friends, the high school where they graduated, relatives who ran the Rotary club, a sympathetic radio station, a grocery store and local business that made financial contributions. Their connection to YES has been invaluable. The director of YES is on our core organizing committee and connected us with key allies, including two town managers who are now members and allies of the North Quabbin Timebank.

In terms of why we chose the timebank model rather than another complementary currency system, we went with what was familiar—the timebank worked well enough in our class. We knew the web system was very user-friendly. And, we liked the radical logic of timebanks (everyone’s hour of service is valued equally) to balance the logic of the national currency, which values people at such different rates. We sensed that a timebank was simpler to organize than most printed currency systems, which require a larger scale to thrive. The director of YES had been one of the main organizers of a regional complementary currency that has since folded, so he was well versed in currency-thinking and excited by

the timebank model.

We also had a sense of the computer and Internet accessibility in the region –there is a free cyber café at YES in the center of Orange in addition to public libraries with computer access. We did not do a comprehensive search on other currency systems like LETS (Local Exchange Trading System), which may have some insights for us along the way if we chose to include the exchange of goods in addition to services. We have contacted several of the successful timebanks in our state and in other parts of the country –and have received very useful tips from them.

Step Two: Creating The Organizational Structure

As the instigators of a complementary currency, you'll need to think about how the system will be managed and organized. Even if you are anticipating minimal management, it is good to be clear about this. Issues of governance, funding, membership, liability, and orientation are important to think through as you get people involved and plan for the long term.

Governance Process

Who will make decisions about maintaining the system, and how will these people be selected? What will the expected terms of service be and how many people will govern? Will these people get compensated for their governing work? Will some decisions be made without collective input?

Try to anticipate the kinds of decisions that will need to be made. One kind of issue that gets raised is: What kinds of policies will there be regarding people who are in long-term, extensive debt in the system? Another question is: how will the system deal with state and federal taxes? (Timebank exchanges are legally tax-free, but most other complementary currency systems have tax implications.)

Either the governing council or the starting organizers will also have to consider important issues of funding, membership, liability, and orientation, all described in more detail below.

Business Plan/ Funding

Business plans involve anticipated budgets and can also be opportunities to envision the growth of a project. An important issue to consider in developing a currency is what the expected annual costs will be and how you plan to raise needed funds. As mentioned in Step One, keep in mind the compensation of the currency coordinator(s), since coordinating can be a substantial amount of work.

Membership Rules

Some questions to consider:

Will this currency system be open to everyone, or only to those within a certain business sector, demographic, or geographic region?

Will members need to have references? A criminal record background check for certain kinds of services?

Will there be a cost to join? Will members be given a unit of the currency upon joining, to entice them to start using the currency?

Liability

What kind of communication will occur with currency users to clarify liability issues?
 What are the options for getting insurance coverage for your currency system?

Orientation Process

It is good to consider having a member orientation meeting or booklet. One advantage for orienting new members is that people will be clear about rules of conduct and liability issues related to engaging in the currency. And people may be more willing to join, knowing everyone has received the same training/orientation. Having a clear orientation to the currency may also prevent future confusion for users, keeping the system flowing smoothly. Orientation is also a chance to educate users about the social implications of the currency.

Our actual “Step Two” experiences at the North Quabbin Timebank:

We are getting to these issues nine months after starting our timebank. We wanted to get a core of people, many of whom we knew, signed up as timebank members before we invested time in governance and orientation details. With hindsight, some of us feel that that having a clear orientation system from the start would have been helpful—as it is, we will have over twenty members who have not been properly oriented. They were also admitted to the timebank without the references we are now asking from members.

In terms of governance, we took some advice early on from Timebanks USA (see their website: <http://www.timebanks.org>) and gathered together a core organizing committee comprised of the three students from the University of Massachusetts, one of their parents who lived in town, myself, the director of YES, and two other community members who are leaders in the community. We meet every 5-6 weeks at YES for an hour and brainstorm how we can grow and what needs to be done. The members of this committee have connected us with funding opportunities and important venues for recruiting. We compensate each core organizing member with a timebank “hour” for each meeting they attend.

In terms of a business plan, we made one in our early days—a calendar grid listing outreach and publicity, fundraising, and membership goals and tasks. We barely looked at the plan thereafter, though arguably it was a good exercise for getting us to think through the tasks of our first six months of existence. Not everyone agrees with the step of mapping out a formal business plan. Paul Glover, who started the Ithaca Hours system in upstate New York said, “My business plan is to start and see what happens.”

Six months after we started, we received a community foundation grant that will cover our costs for the next year of operation, but we need to start thinking long term: how will we ensure we can exist for the next ten years? This will involve an assessment of both cash and people power and realistic thinking about what we need to keep the currency going. We are also researching ways of tapping local college students who are given credit and, in the case of one forward-thinking community college, tuition in exchange for service learning.

We are just starting to work out more details about our membership rules. Our core organizing committee decided that anyone 16 years or older who resides or works in the nine towns that comprise the “North Quabbin” region can join. Membership is currently free. We have connected with several regional senior centers and groups who have been very interested but are concerned about safety. Will they be able to trust the people they contact for services in our timebank? We are researching how other timebanks manage this issue, and have been hesitant to ask for members’ criminal background checks, but are considering asking for a reference. Timebanks USA suggests that members use common sense when connecting with someone for a service—making the same judgments as they would when doing an

exchange with national currency.

We have decided to get liability insurance, since it is quite inexpensive, and since we are affiliated with a non-profit that we don't want to put in any legal danger.

We have just initiated a one-hour orientation, and we are now requiring this for all members. In hindsight, we should have required this for everyone who joined from the start, but we were so eager for members in our first few months that we made the process as easy as possible—just sign here. Now, we will have face-to-face contact with all members (which helps us make the timebank work best for them) and members will know that almost everyone has received a similar introductory training. We are publishing an orientation book, culled from the work of other timebanks. We will hold a group orientation periodically at YES and will also be available for one-on-one or small group orientations by appointment.

Step Three: Doing Outreach

Part of introducing a currency is getting people to believe in it and feel like it is worthwhile to be part of the system. Outreach is thus crucial for getting the word out and encouraging people to participate. Consider these opportunities for outreach:

- Speaking about the currency at places like social clubs (in the US: Rotary, Lions, and Elks) as well as schools and senior centers and other community events;
- Writing press releases and sending photos to local newspapers;
- Creating your own website where you can post photos and sign-up information;
- Being interviewed on community cable access television;
- Contacting social service agencies –going to any community coalition meetings;
- Contacting the chamber of commerce –ask them to mention the currency in their literature;
- Organizing potlucks with potential members;
- Contacting religious organizations –finding religious leaders in the community who can recruit their parishioners;
- Talking to people one-on-one –this is a BIG one;
- Inviting community leaders to governance meetings to get their outreach tips;
- Riding around town on a bicycle, getting everyone you know to sign up;
- Creating and placing brochures everywhere;
- Harnessing the energy of anyone who expresses serious interest in the system –ask them to help recruit or invite them to join the organizing committee.

Our actual “Step Three” experiences at the North Quabbin Timebank:

We did a LOT of outreach in our first few months, and it paid off, to our delight. People in the region have heard about our timebank. We did our first presentation at a high school volunteer club, where some of our core organizers had close connections, and we recruited one member there. Then, we moved on to the Rotary Club and to a regional coalition of service agencies that meets monthly. We invited the town managers to an organizing meeting and they joined the timebank and invited us to be on a cable access television show. We invited the president of a senior citizens group to one of our meetings and she offered us recruiting ideas. We emailed a sympathetic journalist to do an article about us. We hosted a potluck and made many of our family and friends come –and we signed them up right there, after we ate and showed a video explaining timebanks. We spoke at a local “Public Conversations” dinner, did a press

release, posted updates in a community coalition newsletter and created a website, www.nqtimebank.org, where we have now posted the short video we made about our timebank.

It was helpful that we had five people for this intense outreach phase – we were able to split up some of these tasks. We found that we became better at explaining our currency system with practice. People have been very supportive-which has been a pleasure and keeps us going.

Step Four: Doing Inreach

Inreach is just as important as outreach in making the currency a success. Having members is one thing, but do they actually *use* the currency system?

Make sure there is a system in place to count the number of exchanges done with the currency. Inreach can involve any kind of research, incentive, or technical refinement to encourage people to use the system. It can also connect with outreach when it involves recruiting members with particular skills that are requested within the currency. It is important to listen to members as well as those reluctant to join in order to strategize both inreach and outreach strategies.

Our actual “Step Four” experiences at the North Quabbin Timebank:

Since we were so focused on outreach, we were caught off guard by the inreach needed to make our system thrive. We are finding that we still need to be in peoples’ faces to get them to use the system –we asked that core organizing members take leadership roles and promise to do one exchange per month, though all of us have been slack with this, still getting used to thinking of the timebank as a real resource we can use! Whenever we make a strong plea for our organizing members to use the timebank, we get a flurry of activity –people have exchanged babysitting, cooking, housecleaning, and assistance with a wedding. I am helping one organizing member apply to graduate school, and with my earned hour I am getting a haircut.

We are now embarking on an extensive inreach effort: one of our organizers will contact each member and ask them how to make the system best work for them. We will help members list more services that they need and want to offer; sometimes people need help thinking of service and requests. Another part of our inreach effort is making sure that all the services and requests listed are up to date.

Step Five: Documenting Your Experience

Documenting your efforts in organizing a currency system is important for a few reasons. First, documentation, whether on the web, on video, or in writing, can be a source of practical tips for others starting a currency system like yours. Second, documentation gives visibility to your particular currency project –a form of public relations and outreach. Third, documentation is an asset to the global complementary currency movement. As the World Social Forum movement attests, many people around the world are eager to learn about a range of ethical community development experiments. Complementary currencies are a vital part of these global conversations, and documentation helps make these efforts more concrete, tangible, and present for others. Finally, documentation about use and impact of the currency system (though it is always complicated to measure impact) can be useful for grant

applications and other funding requests.

Our actual “Step Five” experiences at the North Quabbin Timebank:

We are documenting the creation of the North Quabbin Timebank in a few ways. First, we have video footage from our first six months of existence, and, as mentioned above, we used this to create a short promotional video which is posted on our website. From the start, I have been taking notes on the whole process and plan to write an academic article about creating a currency in the context of community economies, action research, and community-university partnerships.

The documentation of our currency project serves several audiences: residents of the North Quabbin who are curious and want to learn more before joining; people from other communities who want to consider their own currency systems; academics interested in rethinking what an economy is; and academics and activists looking for ways of collaborating and thinking about scholar-activism or community-university partnerships.

Part 3: The Value of Complementary Currencies in Theory and Practice

As mentioned at the start of this paper, the currencies we use affect us in relational and practical ways. They affect how we connect to place, how we relate to neighbors and feel about our own contributions, and how resources and services get distributed.

To be more specific, complementary currencies like timebanks affect us by valuing our contributions equally, prioritizing relationship and community-building over supply and demand. They can help construct a local economic identity, as is the case of the North Quabbin Timebank, and create a way for services to be exchanged and needs to be met, even when there is little national currency available in a region.

People are often supportive of complementary currencies, given these relational and practical advantages. But at our Atlanta U.S. Social Forum presentation on community economies, a few audience members posed questions about the political value of complementary currencies, arguing that timebanks and other seemingly small-scale community economy projects are tangential to the political project of fighting neo-liberalism.

I, along with others working from a community economies perspective, see the political and strategic value of working on projects like a local timebank. Projects that may seem to be disparate and small scale actually constitute an exciting global movement of social and economic innovations. Such efforts are documented in recent books,ⁱⁱ and practitioners abound at the World Social Forum (embodying the spirit of “one no, many yeses.”) Seeing the numbers of such disparate projects is staggering and inspiring, challenging assumptions that projects like a timebank are stand-alone and insignificant. In terms of currencies, for instance, consider the fact that there are over 600 complementary currencies in Japan alone, some government sponsored, some grassroots organized (Lietaer, 2004). For more information about the prevalence of the global complementary currency movement, see the map referenced earlier: <http://www.complementarycurrency.org/ccDatabase/maps/worldmap.php>

Documenting community economies projects is an important part of constituting and nourishing this movement of economic alternatives. This knowledge affects our sense of what is possible, in turn opening up the spectrum of activist projects we choose to pursue.

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ⁱⁱ Gibson-Graham, J.K. 2006. *A Postcapitalist Politics*. Minneapolis. University of Minnesota Press. Page 59

ⁱⁱ Gibson-Graham, J.K. 1996. *The End of Capitalism (as we knew it)*. Malden, Massachusetts. Blackwell Publishers Ink.

ⁱⁱ Gibson-Graham, J.K. 2006. *A Postcapitalist Politics*. Minneapolis. University of Minnesota Press. Page 70.

ⁱⁱ The members of central banks like the Federal Reserve are in a constant state of managing the economy. Their goal is to maximize employment while minimizing inflation, and so they make decisions that allow banks to lend more or less, depending on how they see the employment/ inflation balance.

ⁱⁱ For instance, Hawken, Paul. 2007. *Blessed Unrest: How the Largest Movement In the World Came Into Being and Why No One Saw it Coming*. New York: Viking Press.