

**If Money Doesn't Grow on Trees, then How Can Local Communities Create Their Own Currencies?**

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“Money generated in the local economy should be spent in the local economy”, argues Aaron Nelson, executive director of the Chamber of Commerce<sup>1</sup>. For many communities throughout the developed world, this is an idea that rings true. Small towns and villages throughout the US are taking this idea to a new level. Rather than just encouraging spending in local businesses, they are enforcing it with the creation of their own currencies. The most interesting aspect of this concept is not how these currencies work, but how they came about, and why many communities are choosing to run their own economies, when they live within a wider, very successful national economy.

Ithaca in New York created the ‘Ithaca hour’ in 1991 during the recession. It was created by Paul Glover in an attempt to “revive a grassroots trading system”.<sup>2</sup> In what was largely a joke, and an attraction to drawing fun cartoons as money with his nieces, Glover created one of the most widely recognized local currencies of all time. In Schuman’s book ‘Going Local: Creating Self Reliant Communities in a Global Age’<sup>3</sup>, he reiterates Glover’s proposal, with what he refers to as “local finance recycling”. In this ideology, money is made in the community, spent in the community, and as a result is invested in the community. For the promotion of Ithaca hours, and to quash local rumors and fears, Glover produced a cartoon to explain their rationale (fig 1.1). Not only did Glover encourage spending, he managed to incorporate a true investment in the local

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<sup>1</sup> Reports the Daily Tar Heel. Thursday September 30<sup>th</sup> 2004. *Efforts hypes local spending* by Meghan Davis

<sup>2</sup> [www.ithacahours.org/history.html](http://www.ithacahours.org/history.html)

<sup>3</sup> ‘Going Local: Creating Self-reliant communities in a Global Age’ Michael H. Schuman. New York. The Free Press. 1998. p 2

community by offering Ithaca hour loans interest-free to encourage the “re-growth of small family businesses”<sup>4</sup>.

The reasons behind creating local currencies vary throughout the world. Saltspring Island in BC, Canada wanted to “allow citizens to earn back the money they lose in higher taxes due to living on the island”<sup>5</sup>. Historically, communities created their own money during times of hardship and recessions. Many villages produced their own money during World War II, when US dollars were in such short supply. The creation of the Ithaca hour, and the national realization that these hours created “fiscal flexibility and economic stimulation”<sup>6</sup> caused many others to follow this model. Berkeley in California created BREAD (Berkeley Region Exchange and Development) to “mimic the success of the Ithaca Hour” and to “create a thriving local economy to counter the negative impacts of a globalizing economy”<sup>7</sup>.

The effects to a local economy as a result of creating a currency have only had positive reports. With a successful currency, spending within the community has to increase. Schuman reports that this boom comes from "removing the enormous number of anti-community subsidies, tax breaks and regulations that govern trade, corporations and banks".<sup>8</sup> The E.F. Schumacher Society, a non-profit educational group interested in the decentralization of economies, reports a dramatic decrease in unemployment in the communities when a local currency is introduced. This is due to more revenue being created in these towns, and as a result, more jobs available to cope with this demand.

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<sup>4</sup> [www.ithacahours.org/history.html](http://www.ithacahours.org/history.html)

<sup>5</sup> [www.ithacahours.com/otherhours.html](http://www.ithacahours.com/otherhours.html)

<sup>6</sup> “New Money”. Editorial of American Airlines In-flight magazine, courtesy of Michael Salemi.

<sup>7</sup> [www.breadhours.org](http://www.breadhours.org)

<sup>8</sup> Going Local: Creating Self-reliant communities in a Global Age’ Michael H. Schuman. New York. The Free Press. 1998. p. 12

According to the Schumacher Society, Ithaca is now “one of the nation’s wealthiest towns”<sup>9</sup> This is based on a calculation of GDP, GNP (grass-roots national product), and unemployment rates. There is no wonder then, why so many towns are copying the ideas of Glover in Ithaca.

Not just economically, but socially, the creation of a local currency is beneficial. Susan Witt, president of the Schumacher Society, reports “currencies are a tool for bringing a human face and sense of place back into our economic transactions”, and “this interweaving helps bring the community together in all its mutuality-ecological, economic, social, and cultural.”<sup>10</sup> There is no doubt that the people of Ithaca must feel a sense of ‘belonging’ when they hand over a bill of Hours, knowing that only the citizens of Ithaca are actually part of this legend.

Here in Chapel Hill, I interviewed a Weaver Street Market teller to find out how the working people react to trading in another currency. Chapel Hill has its own currency, the Plenty, created to boost local spending and to create a sense of unity. I asked local producer, Mark Goodenough what he thought of having the option of trading in two currencies, to which he replied “I was a bit skeptical at first, I thought it was a big joke...but now I take pride in my sign that says ‘Plenty taken here’”. This ambiguous sign means nothing to tourists, but for regulars at the market, it signifies a very different thing. The Chapel Hill Plenty has limited circulation, and limited publicity, but exists nonetheless. Goodenough went on to explain, “when someone hands over plenty, and I give change back in dollars, there is a special bond between buyer and seller – almost a secret society feeling. It makes little difference to my profits, but when I have plenty, I

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<sup>9</sup> [www.schumachersociety.org](http://www.schumachersociety.org)

<sup>10</sup> Susan Witt, “Local Currency News.” [www.schumachersociety.org/local\\_currencies.html](http://www.schumachersociety.org/local_currencies.html)

have to spend them here in Carboro, which I guess means I have to give back to my own town.”

Chapel Hill is not just trading the Plenty, but has now created a more widely-recognized in-town currency, the “CertifiChecks”. Launched in 2004, their aim is not to create a truly local currency, but a system more like “traveler’s checks instead of credit”<sup>11</sup> As usual, their creation is for the betterment of local businesses, but this time it comes with the added benefit of “better customer service and direct contact with local merchants”.<sup>12</sup>

As with all economic reforms, there are those who reject the idea, and claim the costs to start a currency outweigh the overall benefits. Schuman in his book about small economies warns, “only communities with a real sense of belonging can afford to take the risk [...] it requires a great deal of trust.”<sup>13</sup> Goodenough in Chapel Hill also said, “some businessmen here think it’s not safe, there’s something reassuring about using dollars. Everyone knows what a dollar is.” There are many critics of Glover’s Ithaca Hours. “Hours constitute a potent and symbolic weapon for the progressive side of Ithaca, rather than a viable economic idea [...] it works more from the interest of tourists than the genuine trade of businesses. There are plenty of chain-stores in Ithaca that have nothing to do with Hours.”<sup>14</sup> Even the most famous local currency the Ithaca hour is not used widely in Ithaca, Jacob reports that “the exchange in hours is dwarfed by the mainstream economy’s circulation of federal dollars. He continues with, “the significance

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<sup>11</sup> Daily Tar Heel. *Efforts hypes Local Spending*, Meghan Davis, September 30<sup>th</sup> 2004.

<sup>12</sup> Daily Tar Heel. *Efforts hypes Local Spending*, Meghan Davis, September 30<sup>th</sup> 2004

<sup>13</sup> *Going Local: Creating Self-reliant communities in a Global Age* Michael H. Schuman. New York. The Free Press. Page 27

<sup>14</sup> *International Journal of Community Currency Research*. Vol 8 p. 29. Jeffrey Jacob. *Hour Town – Paul Glover and the Genesis and Evolution of Ithaca Hours*.

of the hour's economy is in cultural and symbolic rather than material terms".<sup>15</sup> The average user of Ithaca hours spends the equivalent of just \$350 a year. Despite being one of the more common examples of local currencies, figures like this show that it is really little more than a "token currency", rather than a "currency to compete with the Federal Dollar."<sup>16</sup>

Whatever the reasons for and the outcomes of a local currency are, there will always be questions concerning how to implement a new currency in an area. Paul Glover issues his own book, "Hometown Money Starter Kit", which is detailed to be, "the founder of Ithaca hours explains step-by-step how to start up and maintain a local currency"<sup>17</sup>. With chapters entitled "counterfeit protection" and "initial funding", Glover obviously understands the problems that can arise. From all the evidence given, it would appear that setting up a currency relies upon local trust, determination, initial capital and a realization that the outcome may not be noticeable within the grand scheme of community economics.

There are many un-answered questions surrounding the implementation of a local currency. What happens when the provider wants to discontinue it? Ultimately, someone has to lose out, and how can there be a way of avoiding this. The likes of Glover are so confident that the Ithaca Hour is "here to stay" that they have not even thought through "what might happen when the people of Ithaca chose the dollar over the hour".<sup>18</sup>

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<sup>15</sup> International Journal of Community Currency Research. Vol. 8, p. 42. Jeffrey Jacob. *The Social and Cultural Capital of Community Currency, an Ithaca Hours Case Study Survey*.

<sup>16</sup> International Journal of Community Currency Research. Vol. 8, p. 42. Jeffrey Jacob. *The Social and Cultural Capital of Community Currency, an Ithaca Hours Case Study Survey*.

<sup>17</sup> [www.amazon.com](http://www.amazon.com)

<sup>18</sup> [www.ithacahours.com](http://www.ithacahours.com)

Decentralization, the theme of Shumacher's *Small is Beautiful: Economics as if people mattered* is an important point when considering how local currencies are not always as successful as the Ithaca Hour. In Washington, the Lopez Hour created on Lopez Island cost considerably more to set-up than it brought in as revenue to the people of Lopez Island. At the height of its circulation, just 30 individuals and 5 businesses were involved. Unlike the Ithaca Hour that started off small and then grew, the Lopez Hour gradually dwindled until it was finally removed from circulation in 2003. In 2001, they sent out a plea asking for business backing, but to no avail. The founder of the currency suffered substantial personal losses as he reimbursed those who had invested in his initiative.<sup>19</sup>

The US is not alone in spawning local currencies within a wider economy. The first ever local currency was reportedly in the Isle of Mann off the coast of England back in 1804, as a revolt against oppressive British rulers. Ithaca Hours claims to be based upon this design, although implemented for different reasons.<sup>20</sup> Japan reports several local currencies in some suburban areas, and there is a small town in Germany that still trades with the original Deutschmark as a protest against joining the Euro.<sup>21</sup>

The example in Germany opens up a discussion about the legal tendency of money. Germany no longer uses the Mark, but a few people have chosen on a basis of trust, to circulate it amongst themselves; trading in a currency no longer considered legal. In the UK, Scotland and Wales refused to be part of the Bank of England, yet still maintained the same currency. To combat this, they produced their own pounds, and minted their money independently. As a result, they maintained their own cultural

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<sup>19</sup> [www.schumachersociety.org/local\\_currencies.html](http://www.schumachersociety.org/local_currencies.html)

<sup>20</sup> [www.ithacahours.org/history](http://www.ithacahours.org/history).

<sup>21</sup> [www.schumachersociet.org/local\\_currencies.html](http://www.schumachersociet.org/local_currencies.html)

identity by having paper money of their own designs whilst still being part of the general Pound Sterling currency.<sup>22</sup>

With all the press attention in Ithaca and around the world about the successes of local currencies, is there really enough evidence to prove that they are economically viable and/or socially acceptable practices. Susan Witt, herself the creator of a local currency, the “Deli Dollars”, is an advocator of the promotion of regional money, “by intentionally narrowing our choices of consumer goods to those locally made, local currencies allow us to know more fully the story of items purchased, stories that include the human beings that made them and the minerals, rivers, plants and animals that gave of their substance to form them.”<sup>23</sup> Witt is perhaps only concerned with the social and community aspect, rather than the economic one, but maybe that is what is more important considering the speed of globalization. It may now be more a debate of ‘belonging’.

But what is the future of local currencies? We have already ascertained that they contribute a very small proportion of revenue to the towns they serve, yet does that mean there is no longer a place in society for them? Witt is a more skeptical about the future than her initial comments may lead us to believe, “ultimately it will take a coalition of non-profit groups and for-profit businesses, working together, to form the kind of regionally-based, democratically-structured organization needed to provide long-term management of a local currency program [...] and that is hard to maintain.”<sup>24</sup>

Robert Swann, also from the Schumacher Society is concerned with the future of sustainable local economies, perfectly sums up the outlook of local currencies, “Today

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<sup>22</sup> [www.schumachersociety.com](http://www.schumachersociety.com)

<sup>23</sup> [www.schumachersociety.org](http://www.schumachersociety.org) *Catalysts for sustainable regional economies* Feb 1995.

<sup>24</sup> [www.schumachersociety.org](http://www.schumachersociety.org) *Catalysts for sustainable regional economies* Feb 1995.

when local currency activists get together, there is no mistaking the positive dynamic at work. The movement has all the energy, idealism, and mobility of young adulthood—still experimenting to find the right form, not afraid to take risks, able to alter direction as needed, and determined to change the economic system to reflect their deeply held social and environmental values.”<sup>25</sup>

Is it enough for a local currency to be measured as a social success rather than an economic success?

## We Print Our Own Money in Ithaca!

**AT THE GARAGE SALE...**  
DO YOU ACCEPT ITHACA HOURS?  
I HEARD OF THEM. WHAT ARE THEY?  
THEY'RE LOCAL PAPER MONEY WE USE IN THE ITHACA AREA. EACH HOUR IS WORTH AN HOUR OF LABOR OR \$10.00. THERE ARE 5 DENOMINATIONS: 1, 2, 5, 10, 20.

**HOW'S IT WORK?**  
WELL, HOW MUCH IS THAT COFFEE TABLE?  
\$3.00.  
OKAY, THAT'D BE A QUARTER HOUR - WORTH \$2.50 - PLUS 5¢.

**IF I TAKE IT FROM YOU, WHERE DO I SPEND IT?**  
HERE'S A COPY OF ITHACA MONEY. IT LISTS THOUSANDS OF GOODS & SERVICES YOU CAN BUY WITH HOURS.

**MORE THAN 300 BUSINESSES TAKE HOURS,** INCLUDING A BANK, MOVIE THEATERS, A BOWLING ALLEY, HEALTH CLUBS, FARMERS, AND SO ON. MOST OF WHAT YOU NEED IS LISTED THERE. ALL THE DISPLAY ADVERTISERS TAKE HOURS...AND YOU CAN ASK ANYBODY TO TAKE HOURS LIKE I JUST DID, AND SHOW THEM THIS LIST. YOU CAN KEEP THAT COPY.

**WHERE DO THESE HOURS COME FROM?**  
THEY'RE ISSUED TO PEOPLE WHO SEND IN THE COUPON FROM THE BACK PAGE, TO BE LISTED IN THE PAPER AS BACKING THE MONEY. THEN EVERYBODY IN TOWN CAN USE THEM FOR ANYTHING.

**SO WHAT ARE THEY FOR? WHY NOT JUST USE DOLLARS?**

**THERE ARE PLENTY OF REASONS.**  
1. MONEY IS A TOOL FOR TRADING. SINCE WE'RE ADDING TO ITHACA'S RELIABLE MONEY SUPPLY - \$87,000 OF HOURS SINCE 1991 - MORE PEOPLE CAN TRADE MORE, AND MORE TRADING MEANS MORE JOBS.

2. SINCE AN HOUR = \$10.00, WE'RE RAISING THE HOURLY WAGE. THAT BENEFITS WORKERS, AND BUSINESSES, TOO. PROFESSIONALS MAY ASK FOR MORE THAN ONE HOUR PER HOUR, BUT HOURS REMIND US THAT WEALTH COMES FROM LABOR, AND EVERYONE DESERVES FAIR PAY.

3. WITH BETTER HOURLY INCOME, PEOPLE ARE MORE ABLE TO AFFORD LOCALLY-MADE CRAFTS AND FOOD... LIKE AT THE FARMERS' MARKETS... AND OTHER LOCAL SERVICES. THAT MEANS MORE LOCAL PEOPLE CAN START BUSINESSES DOING THINGS THEY LIKE.

4. TEN PERCENT OF HOURS ARE ISSUED AS GRANTS. 22 COMMUNITY ORGANIZATIONS HAVE GOTTEN HOUR GRANTS SO FAR - LIKE SENIOR CITIZENS, DISPLACED HOMEMAKERS, GRAD. HOMES, INC. AND SO ON. THEY DO GREAT WORK FOR ITHACA, AND THEY NEED ALL KINDS OF MONEY THESE DAYS.

5. BUSINESS LOANS OF HOURS ARE BEING MADE WITHOUT ANY INTEREST CHARGED!  
PAYING INTEREST IS A DRAIN ON THE LOCAL ECONOMY. SLOWING DOWN MANY IMPORTANT PROJECTS. THE INTEREST HOURS EARN IS COMMUNITY INTEREST - THE BENEFIT OF EXTRA JOBS & TRADING MADE WITH HOURS.

6. I'VE BEEN EARNING HOURS FOR SEVERAL YEARS. I'VE MET NEW PEOPLE AND GOTTEN EXTRA INCOME. HOURS PROMOTE A FRIENDLIER ECONOMY, KIND OF A MUTUAL ENTERPRISE SYSTEM THAT'S CREATED BY AVERAGE PEOPLE, AND EXPANDS FREEDOM FOR ALL.

7. AND LIKE I SAID, HOURS HAVE A BOUNDARY AROUND THEM - ABOUT 20 MILES AROUND ITHACA. THAT KEEPS THEM HERE FOREVER FOR OUR USE.

8. IT SOUNDS SO GOOD - HOW CAN IT BE LEGAL?  
IT'S "LOCAL TENDER" AND IT'S LEGAL... THE IRS JUST WANTS PEOPLE TO COUNT IT AS INCOME.

9. CAN KIDS EARN HOURS?  
SURE, EVERYBODY CAN. IN FACT, HOURS ARE THE ONLY MONEY WITH AIDS ON IT!

10. OKAY, YOU CAN HAVE THAT COFFEE TABLE FOR A QUARTER HOUR. NEED ANYTHING ELSE?  
YEAH, WE ACCEPT HOURS.

**You're an important part of Ithaca HOURS:**  
Even if you're not on the Ithaca HOUR list, you can help circulate our local cash, to help it do its good work.  
Just purchase them at GreenStar Co-op or at Alternatives Federal Credit Union.

Fig 1.1<sup>26</sup>

<sup>25</sup> www.schumachersociety.org.

<sup>26</sup> www.ithacahours.com/weprint.jpg

