Can local currencies help advance global sustainability?

Local financial systems that put people and the environment at their heart are welcome, but can these new models be truly scaled?

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Care to buy a loaf of bread? If you are in Baltimore, Bristol, Calgary, or many other cities worldwide, you might just be able to pay for it using a very local currency. In Bristol, businesses can even pay taxes using local currency – the Bristol Pound – and their mayor is taking his entire salary in the new currency. New systems, like Bay Bucks in San Francisco, are popping up with increasing regularity.

Local currencies are not legal tender; no one is forced to use or accept them. And by definition, they can be exchanged for goods only in a limited region. So why participate?

The core reason for the uptake of local currencies is their promise to serve the real needs of local people in ways that national monetary and financial systems do not. They represent a possible path to a future that is more socially, financially, and...
environmentally sustainable.

Current monetary systems fail because they burden the public with debt and don't put new money into circulation when and where it is most needed. Financial and corporate systems fail because the intense drive for investor and corporate profit is poorly aligned with what matters most to the average human: wellbeing.

People at all levels of society are urgently looking for solutions, and local currency systems could offer hope. So what are the benefits and how do such systems work?

Local currencies are tools to assist communities in making full use of their human, industrial and commercial resources. Some programmes resemble "buy local" campaigns, which encourage shoppers to purchase products at local shops, which boosts high street activity. But the potential benefits are greater than this.

Social and environmental impacts are possible as most local currency systems build a sense of community and shared purpose. Some include a financial mechanism to fund new businesses, especially green businesses. Some include a mechanism to generate donations for local schools, non-profits and social services, and some to help a community reduce inequities in income and wealth.

Depending on their design, local currency systems can inject new currency into a region, thereby increasing its capacity to generate jobs and fund public services. For example, new currency could be directed toward public works. In the US, sewers, bridges, water supplies, rails, schools, roads, and dams are decaying due to age and lack of maintenance. In 2009, the American Society of Civil Engineers estimated the repair cost at more than $2tn (£1.3tn).

New currency could even be directed to climate change action, which is expected to cost trillions globally. In the coming decades, urban areas will need to reduce emissions, capture greenhouse gases present in the atmosphere, build dikes or other protective structures, and repair direct damage caused by local climate events.

Just as important, in this era of global trade, communities will need to protect themselves from interruptions in local energy, finance, food, and industrial networks caused by storms and droughts in distant locations. One way to reduce risk is to become more self-sufficient, which can be achieved by funding a diverse set of small businesses and local supply chains.

**Why local?**

Obviously, a great deal of work is needed at national levels to improve existing monetary, financial, and corporate systems. But the national level is not the place to introduce bold change. Doing so would be too risky, too abrupt and too chaotic for a nation. Besides, it would be politically infeasible; the push-back from vested interests would be intense.
A far more practical strategy is to introduce new monetary, financial and corporate systems at the local level, on a volunteer basis and as a complement to current systems. Such an approach is already legal in the US and many other countries; no new laws would need to be passed. This strategy offers the greatest chance of success with the least amount of friction.

A variety of local currency models are already emerging. To give a few examples, in a local exchange trading system (LETS), individuals and businesses create currency backed by their own goods and services. In legal tender-backed systems, local currency is purchased using the national currency. In Time Bank (service exchange) systems, individuals create currency backed by labour.

So far, the effect of local currencies on national economies has been small. For example, barter exchanges are the largest of these models, but are not necessarily local. They conducted an estimated $12bn in transactions globally in 2011, according to the Harvard Business Review. All other implemented systems are far smaller, almost always involving less than 5,000 participants, usually less than 500.

Can local financial systems really take off?

Despite the small size of most implemented systems, the future looks bright. Environmental, financial, economic and social pressures are forcing nations and individuals to rethink what is possible and desirable. New technologies allow large groups to efficiently interact via the internet. Open-source software applications for local currencies are now available. And new initiatives, such as the Bristol Pound, are receiving attention in the news.

But challenges remain before local currency systems will grow to their full potential. More data must be gathered on existing implementations, and their benefits, drawbacks and challenges must be thoroughly explored. This calls for greater participation by academia and funding of studies and pilot trials by foundations, philanthropists and national governments.

Given the urgent need for solutions and the promise of local currencies, if one or more models are proven effective under scrutiny – if they are seen as functional, scalable, and capable of expanding wellbeing – their use would likely spread rapidly. To quote Buckminster Fuller: "You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

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