

Money: Reclaiming the Power to Create

Though a thick haze of murky science and misinformation prevails in our economic system, the simple virtue and purpose of money still seems pretty clear most of the time. We're all familiar with the historical – though certainly not extinct - systems of barter that preceded money: my peas for your carrots, mutual back-scratching of various kinds, etc. And we can all be astounded by the laundry list of entities that have been used as mediums of exchange over time – enormous stones to tiny pebbles, booze and cannabis to silver and gold. But whether we're considering monetary anachronisms or the most cutting-edge financial instruments of today, we can recognize that on the most basic level, money systems emerged to facilitate mutual support and relationship-building. So however harsh and unfeeling our current system may seem, it's inherently grounded in principles of cooperation between different economic stakeholders, namely producers and consumers.

That said, our money system doesn't feel that warm and fuzzy these days and hasn't for many moons. One reason for this is that our society has systematically replaced our diverse and complex relationships with purely monetary ones. Society is set-up so that many don't raise their own children (others do it for money) and most of us are compelled to sell our labor and time like commodities, in order to make ends meet. As if that weren't enough, we've managed to put a price tag on clean air, the perfect view, and every square inch of mother earth. And rather than relying on mutual responsibility and trust as the basis for issuing credit to an aspiring visionary, we charge obscene and unforgiving amounts of interest for the smallest of business loans.

But before we fall down the wormhole of endlessly espousing the flaws of the system (a common distraction from trying to fix something), let's look at some basics. One of the simplest and most straightforward definitions of money is that it is an accounting or bookkeeping system. It gives us a shared vocabulary for understanding economic values and tells the story of how our economic dealings with one another unfold. Money can have various functions, the most mundane understanding of which can be summed up by our grandparents' high school textbooks: "Money is a matter of functions four, a medium, a measure, a standard, a store."¹

It's important to understand these functions of money if we're going to try to create a healthier money system or conceive of alternative systems. But before wrestling the devil in the details, it's good to look at the big picture and purpose of a monetary system. Simply

¹ The idea of money as a *medium of exchange* is pretty uncontested. It means that it serves as a simple placeholder and intermediary, saving us from the bulkiness of barter. Money as a *measure* or *unit of account* is also pretty straight forward. It means that money should be easily divisible into smaller units for flexibility of use, and there should be uniformity to each denomination of currency. Money as a *standard of value* is closely related to – and sometimes conflated with – unit of account. It basically means that the value of money should be something that is easy for everyone to understand. In this country there's a complex history to our monetary standard of value. Currently, we rely on a system of *fiat* money – it's Latin for "let it be done" – which means that our money has no inherent value other than that which the government has given to it. This brings us to *store of value*, which is perhaps the most contentious function that money can ostensibly possess. If money stores value well it means it doesn't diminish or vitiate over time.

put, something becomes money when a particular group or community agrees to use it as a medium of exchange. This agreement implies freedom of choice, and if we take this as a real and present option at this point in our monetary biography, it means we can change the system or establish complementary systems if we're disappointed with the one we've got. It's important and empowering to recognize the call for citizen responsibility and activism inherent in this understanding.

We can find fortifying encouragement in this direction from the social and economic thinking of Rudolf Steiner (1861-1925) which brings a wealth of perspective and insight to understanding money and our economic system as a whole.² Steiner emphasized that economic questions cannot be separated from the social questions of our time. In order to tackle these issues head-on, he advised us to work with economic *realities*, not just conjecture or theory, and to strive for true articulations of our economic reality, rather than settle for the cloudy mess that traditional economic science provides. If we reflect on the traditional functions of money or any other aspect of our economic system at present, we're going to find immediate opportunities to discern between economic truths and falsities as well as systems that promote integrity versus those that promote injustice. Do my purchases reflect their true production costs and consequences? How much of my money in the bank actually exists? Who can issue money and on what basis? If money's a medium of exchange, a stand-in for stuff, how come it doesn't get old like everything it represents?

To address these questions, Steiner provides us with some basic understandings to guide our inquiry. He talks extensively about 'differentiated money' as an essential part of healthy economic circulation – three different types of money, which he describes as purchase money, loan money and gift money. Not only do these three types of money make excellent Halloween costumes (see photo) but they are a foundation for a holistic picture of the healthy use and circulation of money.



*The Three Types of Money: (from left)
Young-Man Purchase Money, Old Man Gift Money, Middle-aged Lady Loan Money*

² For example, see Steiner, Rudolf. Economics. London: New Economy Publications, 1993, and Steiner, Rudolf. Towards Social Renewal. London: Rudolf Steiner Press, 1999,

Purchase money is the most basic and familiar form of money – we determine its value based on the goods and services we are able to exchange for it. The value of loan money³ is a bit more sensitive, as it is determined based on the capacity or ingenuity of the individual that takes out the loan. Steiner jokes that knowing if the borrower is a genius or a fool and scribing that on the loan policy, would be much more useful to the lender than getting their signature. In this way, we see how intelligence can be economically active in money. Lastly, he characterizes gift money as the most radical and flexible form of money, making it the money of greatest potential, in that there are no restrictions on its use.

Steiner goes on to describe and wonder at the fact that all goods and objects of use that are purchased are, over time, subject to decay, while money is not. Because of this fact, Steiner contends that money has an unfair, competitive advantage over the goods that it represents. If we really survey the shopping aisles, all commodities are indeed subject to decay of one form or another. With time, meat gets consumed or putrefies, household items deplete, even furniture gives way – and our big buys like houses and cars also deteriorate. But not so with money. This is just one kind of detrimental economic fiction that Steiner talks about. He also suggests a solution. If we put an end to money's immortal privilege and instead make it gradually perishable (more on this later), we'd take a big step toward working out of economic realities, and bringing greater health to the social organism. Today we can see that the constancy and eternal nature of our dollar bills prevents their aging process. And because money doesn't die and will stick with you till the end, it has no healthy process of circulation; there's no organic route from purchase money to loan money to gift money. Instead, money gets clogged and hoarded by a small percentage of the population, stuck as less-than-productive savings or sunk into assets – land ownership being the biggest culprit.

This would be a great time to really dive into an explanation of both the blatant and more surreptitious flaws of our monetary system. Getting a handle on how and why our money system is unhealthy and severely fallible is essential to gaining context and a sense of urgency for the work ahead. To this end, there are many resources in print and on the web that provide really clear overviews of the federal reserve system, the exponential function, our monetary history, etc.⁴ Herein however, I'm much more excited and intent on sharing some examples of how to affect positive social change with new economic forms, especially those based in rethinking our monetary tools and agreements.

Orland Bishop, sage, mentor, and activist of the Shadetree Foundation in California, shares an impassioned understanding of how we can choose to create different economic agreements:

We awake to meaning in many ways, but essentially we awake to meaning when we find relationships that we can dedicate our own freedoms to...what makes that hard is an economic system that makes competition a necessity, and that our currency system

³ Here we consider only productive loans – so, those put toward business entrepreneurship not cars, houses or bling.

⁴ See Chris Martenson's "Crash Course" for example: <http://www.chrismartenson.com/crashcourse>

says that in order for this currency to be valuable it needs to be scarce...scarcity is part of our economic worldview and people are forced to compete and produce self-interest. It's not designed for everyone to have – it promotes monopoly and eliminates others from the game...How many people live in a world where their word no longer matters because they don't have money? They lack basic means of participation. A small minority claims rights to all of what the world produces...but everyone should have the right to produce – people expect to participate and experience a world of oneness but can't...every system tells them they're free but it's not true...but there's a threshold in that people are waking to the fact that they can create other, alternative agreements to our current monetary system ...people can decide to do something different out of a collective inspiration. We can't underestimate the human potential when it comes to this power of awakening ...what allows one group of people at one point to say enough and create a revolution – not thinking of revolution anymore as violence, but thinking of revolution as power of agreements...that a group of people can one day say, this is what we prefer to have, and they create that..⁵

Below you'll find some important examples of groups leading the way in the complementary currency movement , creating new economic agreements, initiatives and money systems for a healthier society (this list is not exhaustive, it's just a sampling). It's really important that we build a movement of solidarity and support within the complementary currency movement. Too often movements of this kind eat away at themselves by criticizing and alienating colleagues with different approaches and emphases. Because this movement is still relatively fledging and more needed than ever, it's essential to recognize the health-bringing effects of diversity and freedom of thought and action. This creates a compendium of knowledge and resources for future projects and initiatives. But more importantly perhaps, a movement which fosters mutual respect and support instead of dogma and criticism can have fuller effects on the consciousness of society as a whole.

Leading Examples of Rethinking Money and Finance:

- **Social Finance:** This is a catch-all term for the practice of grant-making, loan-issuance and investment in socially- and environmentally-conscious businesses and non-profits. There are more and more organizations and firms that are helping capital to flow where it's truly needed to support community, culture, sustainability and business innovation.

Good Resources & Examples: <http://rsfsocialfinance.org/>;
<http://www.investorcircle.net>; <http://www.slowmoneyalliance.org/>;
http://www.smallisbeautiful.org/share_microcredit.html

- **Community Supported Everything (Currencies for Self-Financing):** The idea here is that it's not just community-supported agriculture anymore (a locally-based mutually-supportive economic model wherein consumers share the risk and benefits of local food production with farmers by pledging financial support before the season in exchange for a share of the harvest.) Innovation is all around, with

⁵ Orland Bishop, "Oneness is Abundance" http://www.thinkoutword.org/Resources_files/orlandvideo.html

emerging community supported artist collectives, bookstores, musicians, theater companies and more, in addition to many other consumables.

Good Background Resource: Robyn Van En Center for CSA Resources

(www.csacenter.org);

Good Examples: Deli Dollars

(http://www.smallisbeautiful.org/publications/essay_currency.html); Community

Supported Theater (<http://www.stolenchair.org/CST.html>)

- **BerkShares and Similar Currencies:** The BerkShares local currency circulates in the Berkshire region of Massachusetts. Individuals trade \$95 federal dollars for \$100 BerkShares at any of the participating banks and then spend them at face value in participating local businesses. Their use aims to strengthen the regional economy, favoring locally owned enterprises, local manufacturing, and local jobs, and reducing the region's dependence on an unpredictable global economy. Though the currency is currently backed by federal money which sits on deposit at the banks, the program hopes to eventually uncouple the dollar and instead use a basket of local commodities as the standard of value for the BerkShares (Ralph Borsodi tried this in New Hampshire in the 70s with a currency called the Constant⁶). Other future steps include micro-loans, checking accounts, and more. Though there are more radical and autonomous programs out there – see Ithaca Hours, for example – BerkShares is particularly impressive because of its flexibility and scope. Flexibility because businesses can easily convert BerkShares back into federal dollars if they need to (they assess a 5% loss in doing so – not so bad considering credit card fees are 3-4%). 400 businesses have signed up and 2.5 million BerkShares have circulated through the community to date, and its been featured on every major TV network in the country and then some. Most importantly, it has people asking questions about our money system and exploring creative solutions.

Good Background Resource: www.smallisbeautiful.org

Good Examples: www.berkshares.org;

<http://totnes.transitionnetwork.org/totnespound/home>;

<http://www.thelewespond.org/>; <http://brixtonpound.org/>

- **The Chimgauer and Demurrage Currencies:** Like BerkShares, the Chimgauer is backed and exchangeable for federal currency at a discount. Started by a teacher and a small group of students at a Waldorf School, the unique thing about the Chimgauer is that it has managed to account for a difficult economic reality that Steiner and others expounded, (and that I mentioned earlier): that money does not reflect the deterioration process of the goods it represents, so it ends up acting as a tradable commodity subject to speculation and hoarding. Healthy circulation from purchase, to loan, to gift money is virtually impossible given this predicament. The Chimgauer however, is intelligently designed to honestly reflect the deterioration process of the goods it represents. It also donates a percentage of new income from exchanges, back local non-profits. They accomplish all this by charging a demurrage-fee (a negative interest rate) of 2% per quarter or 8% per year. In order to avoid the penalty, people spend their Chimgauer notes more readily and the money keeps

⁶ http://www.smallisbeautiful.org/about/biographies/swann_autobiography/swann24.html;
<http://www.scribd.com/doc/13266703/3-09-Ralph-Borsodi-Constant-Currency>

moving. In this way, money functions as a medium of exchange and unit of account, but discourages its use as a store of value. After five years, the velocity (speed with which it moves through the economy, spurring local productivity) of the Chimgauer was five times that of the Euro.

Good Background Resource:

<http://www.transaction.net/money/cc/cc03.html#hand>

Good Examples: [http://www.uea.ac.uk/env/ijccr/pdfs/IJCCRvol13\(2009\)pp61-75Gelleri.pdf](http://www.uea.ac.uk/env/ijccr/pdfs/IJCCRvol13(2009)pp61-75Gelleri.pdf); <http://www.chiemgauer.info/>

- **Ithaca HOURS and Similar Currencies:** Ithaca HOURS are not backed by federal dollars and can't be freely converted to the national currency, so their most striking attribute is their independence from the dollar. They're valued at \$10USD each, as that was the average local hourly wage when the program started in 1991, and businesses and residents are encouraged to use 1 Hour for one hour of work. One downside here is that it ties money directly to labor (wagery) instead of to the products of labor, because businesses and residents are encouraged to use 1 HOUR for one hour of work. However, the rate is negotiable, which can free it a bit from treating labor like a commodity to be bought and sold – a mainstay concern of Steiner's on economics. As with all currencies, it's important that they have a relationship (but not a direct means of conversion) to the federal dollar so that they're taxable. Ithaca Hours are issued into existence two at a time to individuals and businesses when they list their services in the local directory. They're also issued as interest-free loans to local businesses to help with business start-up and expansion and as grants to local non-profits.

Good Background Resource: <http://www.ithacahours.com/>

Good Examples: <http://www.ithacahours.org/>

- **Mutual Credit Clearing & Local Exchange Trading Systems (LETS):** Mutual Credit Clearing and LETS support and embody the idea that money is an accounting system for our economic transactions and shouldn't be beholden to a hegemonic, centralized authority or determined by a system based on scarcity. LETS systems are local accounting systems that monitor and record transactions of goods and services between members using credits in an electronic (web-based) system; these systems usually don't involve paper money or coinage. Every transaction is recorded in the accounts of the consumer and producer/provider in question, as a debit and credit respectively, so the quantity of available currency is reflective of the economic activity actually taking place, as opposed to depending on the rule and judgment of a centralized administration. Questions of proper issuance, taxation and accessibility are worthwhile in exploring these models, but the general premise of a local non-profit working to issue credit and maintain a healthy medium of exchange at the community level is a strong one that is leading to ever-evolving innovations worldwide, especially in the UK.

Good Background Resource: <http://www.gdrc.org/icm/lets-faq.html>;

<http://www.transaction.net/money/lets/>;

<http://beyondmoney.net/monographs/a-model-membership-agreement-for-a-credit-clearing-service/>

Good Examples:

http://en.wikipedia.org/wiki/Local_Exchange_Trading_Systems#LETS_around_the_world; <http://www.complementarycurrency.org/>

- **TimeBanks:** Like Mutual Credit and LETS, Time Banks track exchanges between members, usually electronically, using credits known as Time Dollars. The idea here is that a Time Dollar is equal to one hour of someone's time, regardless of if they're offering house-cleaning, knitting lessons, or psychotherapy. Often, people have time, skills and needs that could be met by relying on and supporting their neighbors. Time Banks is considered a tax-exempt activity, so rather than being seen as economic activity like LETS or barter systems, TimeBanks is recognized as a conduit for community collaboration, mutual support, and volunteerism.
Good Background Resource & Examples: <http://www.timebanks.org/>

- **Open Money & Other Cool New Ideas:** There's a lot of work being done to create "wealth-acknowledgment information systems" that are open-source, transparent and working to create and evolve how we work with money in healthy ways. They're working to create frameworks and platforms to support the emergence of new types of currency and help these currencies interface and interact with ease and integrity. I have only the most rudimentary understanding of all that's taking place in this realm, but here are some interesting and trustworthy resources.
Good Background Resource: <http://blog.newcurrencyfrontiers.com/>;
<http://newcurrencyfrontiers.com/>
Good Examples: <http://openmoney.info>; <http://flowplace.webnode.com/>