Alternative Currency Movements as a Challenge to Globalisation?

A Case Study of Manchester's Local Currency Networks

PETER NORTH

ROUTLEDGE

ALTERNATIVE CURRENCY MOVEMENTS AS A CHALLENGE TO GLOBALISATION?

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CHAPTER 1

Introduction: Money Only has the Value We Give It?

In September 1992 Britain was famously expelled from the European Exchange Rate Mechanism (ERM) when George Soros, amongst others, successfully bet that Sterling would not be able to continue to track the then hegemonic German Mark. Interest rates briefly hit 15% before the then Chancellor let the pound float, before (he later said) going home to sing in his bath that sterling had been liberated from what he saw as an unreasonable straightjacket. Others faired less well. The recession of the early 1990s saw the national unemployment rise from 5.2% in May 1990 to 10.4% by January 1993, with higher rates in poorer areas. The success or otherwise of the economy seemed to have no relation to the need: people's likelihood of getting a job or not seemed to be related less to their skills or whether there was any need for their services, but more to the amount of money in the economy and confidence. Nothing had changed between 1990 and 1993 in terms of the skills people had and the needs they had, but unemployment nevertheless doubled. Unsurprisingly, people looked for solutions.

One solution to the coexistence of unmet need and unwanted skills was an attempt to reassign the status of money from a prerequisite of economic activity to a lubricant, or tool for measurement. Groups of people came together, often through their membership of green or leftwing groups or community associations to hear a claim that since the UK left the gold standard and began to use paper money unbacked by any commodity, all a pound note is is a representation, social construction, a collective agreement we all make to accept a certain form of measurement, store of value, and unit of exchange. We use money created by the state, but as state- validated money is just a piece of paper (rather than something of intrinsic value) it follows that if this money is unreasonably restricted we can, recognising that what we are lacking is just paper, make a collective agreements to issue and use other forms of money. They argued that saying that needs can't be met because there is not enough money to pay for it is like saying that a table cannot be made as there are not enough inches to measure it. If we see money as a social construction, then we should be able to create and use our own forms of money to fill the gap caused by a lack of state-created money. These forms of currency created from below became known as Local Exchange Trading Schemes, or LETS. After Black Monday, LETS schemes began to emerge in cities, suburbs, estates, towns and villages across the UK as people who felt that the economy was not working for them, who felt a need for more community feeling, or who were concerned about sustainability, came together to develop what they hoped would be an alternative to the 'money system'. This book examines their experiences.

WHAT IS LETS?

LETS schemes are essentially a network through which members agree to create a form of currency that they agree to accept from each other, which they back by their 'commitment' to earn, at a later date, credits from someone else. The network offers members an account and credit facilities, denominated in the local currency and managed on their behalf by someone keeping accounts on a personal computer. The currency often has a name that reflects the locality, for example Brights in Brighton, Tales in Canterbury or Olivers in Bath. The currency may be valued in relation to sterling, to an hour's work, to some notion of what is a 'fair' wage, or something else entirely – for example how highly a certain service is regarded or needed. The network operates by members listing the goods and services which they want to offer and receive, along with their telephone numbers. This is collated into a directory, which members use to contact each other in order to trade. Payment is then made either by writing a cheque in the local currency, or by registering the transaction with the accountant. The networks build on barter in that reciprocal exchange between partners for each trade is not required. For example, a trader can get another to fix his car, and earn the currency back by providing others with, for example, childcare and help decorating.

LETS was introduced to the UK at a meeting of The Other Economic Summit (or TOES) in 1985 (Ekins 1986) before being popularised in a book written in 1988 called *Beyond the Crash: the emerging rainbow economy*. The first schemes in the UK were in Norwich (established 1985), Stroud (1989) and West Wiltshire (1989). By 1994 there were thought to be some 200 LETS schemes in the UK. Some local authorities, noticeably in Greenwich (London), Liverpool and Leicester saw LETS as a way of generating local economic activity, helping people develop new skills, empowering communities, and meeting needs that could not otherwise be met. When New Labour was elected in the UK, the Government investigated the extent that these schemes could be new ways of building community and cohesion, and of helping people develop their skills and access work. By 1999 a survey undertaken by a team led by Colin Williams (Williams, Aldridge et al. 2001) found that there were 303 LETS. Some remained small-scale networks involving 10–20 people, perhaps in a small town or neighbourhood, while others grew into more substantial networks involving one or two hundred people (for example in Bristol, Brighton or Stroud). One scheme, in Manchester, grew to around 460 members.

Outside the UK alternative money schemes have emerged in countries as far apart as Argentina, Australia and New Zealand, Canada and the US, continental Europe, and Japan (for a review see (Dauncey 1988; Lang 1994; Douthwaite 1996; Croall 1997). They range from Time Dollars (USA), Green Dollars (New Zealand, Australia, and Canada), Grains of Salt (France) and 'Talents' (Germany, Hungary) and '*Redes global de Trueque*' (global barter networks) in Argentina.

THE EMERGENCE OF ALTERNATIVE FORMS OF MONEY

Of course, alternative forms of money have a long history which includes the labour notes developed by the utopian socialist Robert Owen and the stamp scrip, alternative money forms that emerged in the great depression in the US and Europe. The current wave of currency movements arose out of the Green movement in the countercultural 1960s. While many dropped out, joined communes and tried to live off the land, others, not wanting such a total withdrawal from society, set up skills share networks to enable members to share their skills without the use of money. Examples included the 'Really Useful Exchange' of Richmond, Virginia in the United States, Canada's Vancouver Community Exchange, and Vancouver Island's Widget Exchange (Weston 1992) and the Community Network in Palmers Green, London (established 1978, with 500 members by 1980). But these were all small-scale networks of people who were opposed to capitalist exploitation and technological modern society, wanting to exchange skills within smaller scale convivial communities without using capitalist money, but valuing an hour of each other's labour equally. They used notes denominated not in dollars or pounds but hours of labour. At the other end of the political spectrum, businesses used commercial barter networks both to save money and to break into new markets, such as the then communist bloc countries where currency exchange facilities were as yet undeveloped. These were big business, and efficient – but served no progressive function.

The innovation that led to the large scale use of alternative money networks, which made them different, perhaps more modern than the utopian socialist or hippie experiments of the past came in Comox Valley, Vancouver Island, Canada in 1983. Michael Linton developed a model for a computerised exchange network, hoping to marry the efficiency of commercial barter with the liberatory potential of the countercultural exchanges, in a beautifully simple concept called the 'LETSystem'.[1] The elegant LETSystem model caught the imagination, utilising the newly emerging personal computer technology to provide individual accounts in alternative forms of money that would balance currency issued by each issuer with that paid into the recipient's account. I pay you ten green dollars, my account goes down ten and yours goes up ten – the balance of the system as a whole is zero. It seemed a thoroughly twenty-first century variation on an old concept.

Linton's second innovation was to use a unit of currency linked not to the hour, but to the Canadian Dollar, the Green Dollar – meaning that users did not have to buy into the whole philosophy of equality to of labour time to join (an advantage in the 1980s when New Right ideas were dominant and equality seemed an 'out of date' hang over from socialism or the 1960s). Linton's LETSystem eventually grew to about 500 members, but died a death according to Linton when the three businesses in the system left "and people didn't have anything to spend their money on". Linton also ran up a personal debt of some 14,000 Green Dollars which he later felt to be bad practice and to be a contributory factor in the stagnation of the system. After this experience the importance of reciprocity was stressed. Members were encouraged to give to the network as much as they received, and to demonstrate this by periodically balancing their account. After a quiet period of a couple

[1] "LETSystem", one word, refers throughout the text to Linton's design. Other community currency schemes which differ in one way or another from Linton's design are referred to by the generics LETS, LETS schemes or LETS systems (two words).

of years the Comox system slowly picked up trading. Linton promoted LETS around the world and the idea spread to Australia where by the mid 1990s there were thought to be 164 systems and New Zealand (55) (Jackson 1995).

In the United States Edgar Cahn promoted a parallel concept, Time Money (Offe and Heinz 1992; Boyle 1999; Cahn 2000). Time Banks connected volunteers with people who need support and matched their requirements and skills, paying volunteers in Time Money based on a straight hour-for-hour swap, which cannot be aligned directly to any national currency valuation. These credits could either be used to pay for care and support by the volunteer when his or her time comes, or donated to a needy person or family member by a younger volunteer. Time Money further differs from LETS schemes in that no directory or cheque book is issued: rather members phone through to the Time Bank, a central administrative point which finds someone to meet their needs and which keeps credits centrally on a computer. Finally, unlike LETS there is no obligation for accounts to be returned to a zero balance periodically. Time Money operates from a philosophy of members contributing to and receiving from the Time Bank as collective, rather than running individual accounts that need to balance.

Another North American model that has achieved a high profile and secured considerable business involvement are the hour-based currencies that circulate between individuals and businesses in Ithaca (New York), Salmon Arm (British Columbia) and up to 20 other cities in North America (Greco 1994; Glover 1995; Boyle 1999; Greco 2001). 'Hours' are watermarked, often exceptionally high quality notes, produced in denominations of one-quarter hour. Work is valued both in time spent and by reference to the local average wage so that, for example, an hour's labour would equal ten time dollars, if the local average wage per hour was ten dollars. Participating businesses place an advert in 'Ithaca Hours' – a specially produced local newspaper which participants use to identify who accepts Hours, in return for which they receive their first four Hours and then earn others through trading – no central record is kept beyond one of the number of notes printed. Hours cannot be spent until they are earned, although interest free loans are available. The Ithaca Hour project has been spectacularly successful in terms of involving the many countercutural and community-focused businesses that thrive in an upstate university town with a strong tradition of dissent – something LETS schemes in the UK have conspicuously failed to do (North 1996). In 1997, an Argentine NGO PAR imported the Ithaca hours model to Argentina where, as result of that country's financial collapse in 2001 (Primavera, De Sanzo et al. 1998; Powell 2002; Pearson 2003), and scrip notes took off at a level that dwarfs its usage everywhere else. From 2000–2003 literally millions of people would come to buy food, clothes, get their hair cut, their nails done and meet their neighbours in barter markets where they would trade using notes produced by the markets themselves. Until a crisis of confidence and a reviving economy hit barter in late 2002, it operated at a mass scale not seen since depression era scrip.

Other local currency innovations in the United States include those pilots developed by the EF Schumacher Society of Great Barrington, Massachusetts. Examples include 'Deli Dollars' circulated amongst customers at wholefood restaurants (Greco 1994:95/6, Solomon 1996:54–55). Customers bought 'Deli Dollars' in advance to pay for the refurbishment of a local delicatessen, to be redeemed once the refurbishment was complete through the purchase of food with the local currency. These innovations were expanded into 'Berk-Shares', discount coupons issued by local traders in one small Massachusetts town to a value of $1 for every $10 spent, and redeemed at the end of the summer at a rate of approximately 25%. In other words, an item costing $100 could be bought for $75 and 25 in local script. In the same state, farmers in Berkshire, Massachusetts traded their produce on 'Berkshire Farm Preserve Notes', a local script redeemable in the farmer's markets. Customers bought the ten dollar-valued notes for $9 in the winter when farmers are growing, providing them with income in the winter months. They then redeemed the note with that farmer, or with another grower in the programme, in the summer to even out annual imbalances in income. These notes were not connected to a recommended hourly rate in any way.

The Swiss 'Wir' model is the most successful example of a parallel currency involving business in levels of economic activity that have any significance to that businesses performance – just about all the other alternative currency networks that have emerged in the 1990s are restricted to trade between individuals, not businesses. 'Wir' was formed in 1934, its name combining two meanings ('wir – we' and 'Wirtschaftsring' or 'business circle'). Unlike similar contemporary experiments in Austria and Germany, the 'Wir' movement was not closed down by the Nazis and therefore offers considerable experience of the operation of a parallel currency involving over 70,000 small and medium business participants with a turnover of 2521 million 'Wir' units, equivalent to Swiss Francs (Douthwaite 1996:100). After making a cash deposit, participants receive a credit card with an interest-free credit of five percent of their deposit, and they can then trade these 'Wir' units, equivalent to Swiss francs in value, with other participants. Alternatively, they can negotiate further credits as working capital on offering sufficient collateral. Until the 1970s mortgages were available interest-free before a small interest charge was introduced. Wir involves businesses, and saves members money – but apart from the interest-free component, it is difficult to see it as in any way progressive.

The overall tone of academic writing on these new forms of money is to conceptualise them firstly as a response to social exclusion (Williams 1995; Barnes, North et al. 1996; North 1996; Williams 1996a, b; Pacione 1997). They are seen as an attempt by the poor and unemployed to gain resources and consumption opportunities, and money and credit primarily through the adoption of a new form of money that straddles domestic exchange and the money economy (Thorne 1996:1632), thereby providing access to new forms of work and livelihood (Aldridge, Tooke et al. 2001), perhaps also allowing those without work to access it (Williams, Aldridge et al. 2001). Secondly, alternative currency networks are claimed as a technology that builds community. They connect people who do not each other, so they feel less atomised and fragmented by rekindling a sense of capacity to make change, promoting economic inclusion through transparent financial relationships (Lee 1996:1380) or through regaining community control over work by recasting money as something that should enable needs to be met through what Polanyi called the re-embedding of markets within social relationships (Thorne 1996:1632–1634). Third, local currencies are seen as a way of imposing social regulation over the economic. Just as we require regulation over what forms of market exchange are deemed acceptable by banning, for example, slave or child labour, the unfettered discharge of pollution, and minimum labour and safety standards, so, through *local* currency networks like LETS, local people should be better able to control the means of exchange between each other to discourage that which is thought inappropriate. Following Polanyi 1944/1980, economies are seen not as given, natural, or an apolitical technical matter, but as social constructions with a morality that is negotiated, created and reproduced through economic activity. Against neoliberal forms of globalisation that assert that goods and services should be produced by those who do it best even if this means lower standards, more exploitation, burning fossil fuels to move goods around the world and the like, all goods that can be produced locally, should be (Hines 2000). Thus, fourth, they have been described as lifeboats against globalisation developed by the marginal in spaces suffering from uneven capitalist development (Pacione 1997; 1999) where money flows, often in irrational or over-exuberant ways, not where it is needed but where it gains the best return (Strange 1986). Against globalisation, LETS are 'locally defined systems of value formation and distinctive moral economic geographies' (Lee 1996:1377); as micropolitical challenges to capitalism (Lee 1999; North 1999), or as a form of sustainable local development which puts ecological values front and centre (Seyfang 2001). David Harvey, (Harvey 1996:237–238) mentions local currencies as an 'interesting example of a set of social practices … to create a certain kind of money that embodies a different kind of socio-temporality than that experienced in the world market'. This is an economy that, it is hoped, run by slower, local, community rhythms, rather than those of a globalised market working according to Adam Smith's instrumental rationality and a global division of labour. People and communities should come first, and economies should be structured to build conviviality, community, and local control.

However, much of the academic writing undertaken to date has discussed LETS in its formative period. Much of it was undertaken when LETS was but two or three years old, in the period where, like many social movements, it was growing at a spectacular trajectory. Many of the claims made had yet to be tested. The positionality of 2005 allows a longer view to be taken: were the hopes and dreams of the LETS pioneers well founded, once academic interest had moved on the next big thing? Were they able to change economic rhythms? This book aims to fill that gap.

THE STRUCTURE OF THE BOOK

This book is an ethnography of one of the larger schemes, in Manchester, UK. Research has been undertaken over a twelve-year period, with first contact with Manchester LETS being made in 1993. In 1995–96 a nine-month period of fieldwork was undertaken, with follow-up visits made in 2001 and in 2005. It provides a detailed study of the inside life of members of Manchester LETS: what inspires them? Why did they join? What sort of economic life are they creating? Are they able to live the life they want, using the form of money they have created – and what barriers do they meet? What goods and services can they access, and what is beyond their reach? Are they able to create their new form of money for any length of time, or is the experience ephemeral? Given that large claims have been made for these schemes, how successful are they?

Chapter 2 discusses how we might theorise these alternative forms of money. It conceptualises alternative money schemes as social movements with criticisms of market economies. The chapter will review social movement theories from the American (McCarthy and Zald 1977; McAdam, McCarthy et al. 1988; Tarrow 1998; Tindall 2003) and European schools (Touraine 1981; Melucci 1989; Eyerman and Jamison 1991; Snow and Benford 1992; Melucci 1996) The chapter discusses how social movement theory and allied concepts such as Foucault's genealogical understanding of how systems of domination can operate with their own logics will be used to theorise the ethnographic discussion that follows.

Chapter 3 will review how we can study these networks, detailing the specific methods used for the bulk of this study, Sociological Intervention (Touraine 1981:150–183). The method consists of the construction of a programme of focus group discussions involving social movement militants who have taken part in action to an appreciable degree, but who are not leaders or representatives of particular organisations within the social movement. The latter, Touraine argues, are likely to want to speak 'on behalf of' their particular organisations, and simply reproduce the analysis of the movement without taking it further – in what can be a sometimes painful and rigorous process of discussion. The group should also, as far as is practicable, include militants from the full range of organisations, ideologies and tendencies within the social movement, so that all the tensions and potentialities within the movement are represented within the discussion. At the same time, the group should remain small enough to develop some collective identity. Touraine takes the group through a series of sessions on a guided journey of what he calls the 'self-analysis' of the social movement through a staged interaction between participants, the researcher and critics of the movement. The chapter will discuss how this method was used in the field, and supplemented with ethnographic methods such as participant observation, interviews as conversations and more semi-structured interviews, and periods of action research with members of LETS wanting to reach out and encourage use of LETS to spread.

The final theoretical chapter will examine what social movement theorists would call the Political Opportunity Structure within which the LETS schemes in this study emerge – Manchester, a paradigmatic example of the problems and possibilities facing British Cities in the 1990s. It will examine debates about regeneration and social exclusion, and how community and voluntary groups might work together with government to address some of these issues. It discusses the frames around urban futures that shape the dominant regeneration script in Manchester, and challenges to it from the Green Movement: a movement that may provide allies for LETS and/or resources that it can access.

Part II of the book provides case studies of local money in action in the UK. Chapter 5 introduces the three LETS in Manchester that form the focus for this ethnographic study. Manchester LETS, which grew to be one of the UK's largest in the mid 1990s; LETSGo, an attempt to generate large scale use of alternative currencies by business, and a scheme on an outer housing estate, Hattersley LETS. Chapters 6 and 7 discuss the rationales for and agendas behind people's participation in LETS, as identified through Sociological Intervention: the actualisation of alternative economic relations and livelihoods based on conviviality, ecological sustainability, free exchange, and unalienated labour. The chapters introduce competing visions of social change through LETS. On one side are those who see local currencies as an unproblematic rational policy innovation with the capacity to reform mainstream economic rationales towards free, humanised, ecological values. On the other, activists with more ecological, even anarchist values see local currencies as resistant or emancipated spaces which operate under their changed rules. Chapter 7 contrasts the competing strategies to examine the extent that alternative ecological values can be generated from below before structural limits are encountered in a discussion of the extent that members of LETS do see what they are doing as social movement activity.

Chapters 8 and 9 discuss how those that saw LETS as a policy reform that would be able to help businesses grow in ways that built sustainable local economies, and solve many problems experiences in inner city environments worked with local and national government agencies and businesses to promote LETS; and discusses why these proposals remained unfulfilled or did not achieve the hopes for goals in practice. The failure of New Labour to adopt LETS will be examined, along with the reasons for the success of Time Money in this regard. It will be argued that the resistant conceptions of LETS as a tool for building alternative economic values are not attractive to a government committed to managing the efficient workings of a capitalist market based on labour discipline, a commitment manifesting itself in a labour market policy based on disciplining the unemployed into work through the New Deal and active welfare. LETS was attractive to many precisely as it did not involve capitalist labour discipline – consequently it proved to be a poor tool for helping the socially excluded get work. The less resistant ethos of the co-production of public services, and on volunteering encapsulated by Time Money was far more attractive to government. Chapter 10 discusses how effectively those in Manchester LETS who saw LETS as an attempt to build a localised economy based on alternative conceptions of money and livelihood were able to achieve their goals. It argues that within limits set by the resources they were able to access through their own private networks, members of LETS were able to develop economic relations with each other based on their preferred conceptions of the role of money and what constitutes valuable work and ethical livelihoods in a localized economy.

The conclusion, Part III of the book, revisits Manchester LETS from the perspectives of 2001 and 2005, showing that half of the members contacted again in 2001 were still members. The conclusion will argue that the critiques of the role of money, its impact on livelihoods for those who are not successful according to a conventional market paradigm, and the need for radical alternatives to globalisation developed by activists are well met, but that the effectiveness on the ground of these projects is less clear. Radical environmentalists committed to an alternative to mainstream employment patterns do find that these networks operate as effective 'bonding' social capital – they connect people of similar political beliefs, enable them to trade with and support each other, and build networks of mutual aid making an alternative to the nine to five easier than if they did not know each other. This is a valuable demonstrator that the claim of neoliberal enthusiasts, that there is no alternative, is challengeable. Secondly, they do build community, connectedness and mutuality for those that join – again a function of bonding social capital. These systems do help smooth the changes by helping people to meet, solve problems and look after each other such that they do not feel isolated and abandoned. The recent success of Time Money in the UK builds on this strength. But for too many members the networks stay too small for significant levels of trading happen. LETS can therefore be best thought of a part of what emerged after Seattle as the counter-globalisation movement, putting forwards alternatives to globalisation that can be enacted in the hear and now for the most committed, especially if they see LETS as a way of carving out a new economic space that exists between the cash economy and the hoped for realm of pure co-operation.

PART I
CONTEXT AND THEORETICAL BACKGROUND