Query Letter:

To Whom It May Concern:

I am writing to inquire about your interest in publishing my book, “Cooperative Economics: A Guide to Local Currency Development.” This book is a step-by-step guide on the process of starting a local currency. A local currency is a means of exchange that is only accepted within a specific geographic region. Local currencies do not wish to replace the national dollar; they aim to supplement it by working to address issues that national currencies do not. For example, local currencies work to plug economic leaks by keeping financial resources within a region, build community, create social capital, combat environmental degradation, and create local economic autonomy. Local currencies are gaining popularity and are increasingly appearing in national media. While the interest in local currencies is growing, there is very little information available on how to go about starting one. This book would be of interest to those wishing to start a local currency, current local currency organizers, community organizers, and teachers wishing to educate their students on cooperative economics.

What are the different types of local currencies? What type of currency would work best in my community? How do I get my community excited about our new local currency? This book answers all of these questions and more. It takes readers through the currency planning process, from organizational structure to education and outreach. While this book will mention the issues with the current monetary system and the history behind local currencies, it will not discuss them in-depth. There are many other books that do a wonderful job of addressing the issues that arise with national currencies, such as “The Future of Money: Creating New Wealth, Work, and a Wiser World” by Bernard Lietaer and “Money: Understanding and Creating Alternatives to Legal Tender” by Thomas Greco. This book focuses on the positive – the solutions we can take part in today.

This book has a strong focus on education and outreach, two key components of a successful local currency and two of the least discussed topics in local currency literature. It outlines tools that can be used by local currency organizers, teachers, activists, and interested people in the environmental, anti-globalization, fair trade, and other social movements. The book culminates with case studies of various local currency formats, including Mountain Money, the currency I coordinate and helped start in Saguache County, Colorado. This last section shares currency successes and failures, offering insight on what has worked and what has not. The story of Mountain Money aims to influence and inspire by showing that it is possible to start a local currency, regardless of resources; Mountain Money was planned, printed, and launched for under $4,000.

As coordinator of Mountain Money, I have been involved in, and have led, all steps of the currency planning process. This, along with my experience setting up the Los Angeles EcoVillage LETSystem (which is now part of the Echo Park Time Bank), has given me much experience in local currency development. In addition, my community organizing experience goes beyond the local currency movement. I was a co-founder of NextGEN (The Next Generation of the Global Ecovillage Movement) and a member of the Global Ecovillage Network board.
The research for and much of the writing of this book was part of my graduate project for my MEd in Adult Education at the University of British Columbia. Enclosed with this letter is: a preliminary table of contents, an expanded table of contents, market research, biographical material, and two sample chapters.

I look forward to hearing from you,

Alison Rosenblatt
Market Research

While there are other books about local currencies (see next paragraph), no other book details the steps needed to start a local currency or helps communities determine which currency format would work best in their community. When talking to other local currency activists, they often stress the importance of education and outreach. However, there is a lack of available information on the different methods for promoting local currencies. Since it is very difficult for a currency to have an impact if people do not know about it, knowing how to effectively promote a currency is crucial to a currency's success.

Following is a list of the other local currency books that have been written. Many of these are now out of print and prohibitively expensive. I propose that my book be priced at $17.95.

While “The Future of Money” is a great reference on the history of money, why we need alternative currencies, and examples of past and present alternative currencies, it offers no advice on how to start a local currency. In addition, the book is out of print and, while it is easy to find used copies, they cost $180 - $1,500.

“Funny Money: In Search of Alternative Cash,” by David Boyle. (2002). London: Flamingo. “Funny Money” is a collection of stories. It offers information about various local currency systems through the author’s lens, as he tells stories of the currencies he has visited, including anecdotes about the founders and their communities. While out of print, the book is easy to find affordable ($4.84); however, it does not offer insight on how to start a local currency.

“The Money Changers: Currency reform from Aristotle to e-Cash” edited by David Boyle. (2002). London: Earthscan Publications Ltd. This book is a compilation of essays on money. It includes insights on past and current monetary situations, as well as some local currency formats. It does not offer any specific information on the different currency formats, except for what might be included in a short essay by the currency founder. It does not offer insight on how to start a local currency. It is available new for $31.88.

“Rethinking our Centralized Monetary System: The Case for a System of Local Currencies,” by Lewis D. Solomon. (1996). Westport: Praeger. This book offers valuable information on various currency formats, as well as information on the legality of local currencies. While this book has valuable insight on local currencies, it was printed in 1996 and is, therefore, a bit out of date. In addition, it does not offer insight on how to go about starting a local currency. While it is still possible to locate new copies of this book, they cost $110.95. Used copies run from $90 - $225.

“Money” explains the current monetary system and details alternatives to this system. However, while it describes past and current alternative currencies, it offers no information on how to start or promote them. List price: $25.


“Alternative Currency Movements As a Challenge to Globalisation?: A Case Study of Manchester’s Local Currency Network,” by Peter North. (2006). Burlington: Ashgate. This book is a case study on the Local Exchange Trading Systems in Manchester, UK. While it offers insight that is useful to the local currency movement, it focuses on one currency format and does not offer insight on how to start a local currency. List price: $110.

Target audience: those wishing to start a local currency, current local currency organizers, community organizers, and teachers. While this book details how to start a local currency, a large portion of the book is devoted to education and outreach. The tools provided in this book are applicable beyond the local currency movement. Teachers wishing to educate their students about cooperative economics, as well as community organizers in other movements may find these tools useful.
Biographical Information

Alison Rosenblatt is the coordinator of Mountain Money, a buy-local currency she helped start in Saguache County, Colorado. She has been active in the local currency movement, starting a Local Economic Trading System in Los Angeles in 2007 and researching local currencies ever since. Alison is also a Master's candidate in Adult Education at the University of British Columbia, where her research is focused on environmental education and education for the local currency movement. She holds a B.S. in Management and Business from Skidmore College. She has over six years of experience as a community organizer, which started during her time at Skidmore College when she was a member of the D-hall Revolution, a group that worked to bring local and organic food into the dining halls at Skidmore College. She has since cofounded NextGEN (The Next Generation of the Global Ecovillage Network) where she coordinated global operations, US activities, oversaw the financial management, and served as a board member of the Global Ecovillage Network. She has organized permaculture workshops and served on the steering committee of Village Vancouver. Her economic activism has included working to strengthen the local economy of Hampshire County, MA with E2M.org, starting a Local Economic Trading System for the Los Angeles EcoVillage neighborhood, writing articles on community finance for Communities Magazine and, more recently, serving as a the local currency coordinator for Mountain Money.
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1 NW: Not written yet

2 Specific currency names will be filled in before sending the table of contents to prospective publishers.
**Expanded Table of Contents**

**Preface**  
The preface introduces me, the author, details my experience in the local currency movement and explains why I saw a need for this book.

**Introduction**  
The introduction briefly addresses the growing presence of local currencies and presents the format of the book.

**Local Currencies: What are they and why should I care?**  
This chapter answers the questions: What is a local currency? Why are they important and what do they do? It offers a brief introduction to the concepts and theories, setting the stage for the rest of the book.

**Determining Organizational Capacity**  
This chapter will help communities and/or organizations that wish to start a local currency to evaluate their organizational capacity to determine if they have the resources needed to start a local currency. This chapter will also detail tools that can be useful for running a successful organization, such as organizational structure models and facilitation tools. In addition, this chapter will include an in-depth section on funding. It will outline multiple funding models and give information on creating a self-financing currency, applying for grants, and gaining local sponsorship.

**Types of Currencies: What type of currency is best for your community?**  
This section outlines the main types of local currencies in circulation: buy-local scrip, fiat scrip, stamp scrip, and mutual credit currencies. It offers concrete examples of each, in order to give readers an idea of what has been done before and what models they might follow. It then helps communities determine what currency model would work best for their community.

**Planning Your Currency**  
This section helps currency organizers determine the specific details of their currency. These include: currency value, currency design, and evaluation tools. It also provides information on how to sign up businesses to use local currency.

**Education and Outreach**  
This section explains the role of education and outreach in a local currency. It offers insight on what styles of education work well in the local currency movement and details topics that are important to teach. It then outlines tools that can be used for the education and outreach of a local currency.

**Case Studies**  
This section will include case studies on currency successes and failures. Currencies studied will include Mountain Money (a buy-local currency), a fiat currency, and either a LETSystem or a Time Bank.
Mountain Money
Mountain Money is the buy-local currency I coordinate and helped start in Saguache County, Colorado. This section will provide an account of the steps we went through. What went well? What mistakes did we make that other currencies should avoid? How did we successfully get a currency printed and circulating for less than $4,000?

Conclusion
The conclusion will tie the book together. It will offer lessons learned and recommendations that flow from these lessons. It will include an overview of the themes and ideas presented in the book and end with key messages for the readers.

Resource Materials
This chapter will provide resources available for people interested in local currencies and alternative economics. It will include a list of books, manuals, websites, magazines, and journals.
Preface

My interest in local currencies spawned from my involvement in the Ecovillage movement. I have always been interested in alternative economics, known as the “touchy feely” business major during my senior year of college. However, my ventures in community economics did not include local currencies until I worked for CRSP (Cooperative Resource and Service Project) at the Los Angeles EcoVillage. Lois Arkin, the founder of CRSP and the Los Angeles EcoVillage suggested that I start researching local currencies in order to start one for the Los Angeles EcoVillage neighborhood. I spent a few months immersing myself in the literature on local currencies and began setting up a LETSystem (a computerized third party barter system) for the Los Angeles EcoVillage neighborhood, which, for the currency, was defined as a 10-mile radius around the ecovillage. I left for graduate school, a few months after this process began, excited and inspired by the ideas of local currencies.

While at the University of British Columbia, in Vancouver, Canada, I spent my time immersing myself in the academic literature on complementary currencies, mediums of exchange that work alongside the national dollar. In my spare time, I volunteered with Village Vancouver, an organization working to create neighborhood villages or “ecovillages” around the city of Vancouver. At that time, I started exploring the possibilities of creating a currency in Vancouver and talked with activists who had previously attempted to setup a LETSystem in Vancouver.

Also, during this time, I stayed connected to the Los Angeles EcoVillage LETSystem through their administrative listserv. I discovered that the LETSystem never really took off. The system was only a couple of months old when I left and it had not really gotten off the ground yet. There was no strong leadership to move it forward, so it stagnated. Eventually, the LAEV LETSystem ended up joining the Echo Park Time Bank, a thriving currency nearby.

This experience, the conversations I had with other currency activists, and the academic literature I had read about currencies that indicated limited economic impact left me wondering: What makes a currency thrive? What is needed to start a successful currency?

I focused my academic papers on the topic of local currencies, but I found very little, in both the academic and non-academic literature, on how to actually start one. There is literature on the many different types of local currencies, on the demographics of the people who are involved with the different currencies, on the insignificant economic impact of specific currencies, and the shortcomings of specific currencies such as low usage and an inability to alleviate income disparities in a community. Yet, there are very few suggestions on how to overcome these shortfalls and very little information on how to go about setting up a currency and how to educate the community for which the currency is intended. Most people are not even aware that a monetary system is based on debt (see page 41 for more information). How are they supposed to accept an alternative to the current monetary system if they do not understand what is wrong with the current system?

While contemplating these questions, I was asked to help set up a currency for Saguache County, Colorado. I moved to Colorado to become the coordinator for what is now Mountain Money. This book is a compilation of what I’ve learned from my experiences with Mountain Money, the LAEV LETSystem, the academic and non-academic literature on local currencies, conversations with other local currency activists, and being a student of adult, environmental, and popular education. I hope it will help inform your work with local currencies.

[Insert thank you here]
Introduction

The presence of local currencies far outdates that of the national dollar. The idea of a single currency did not even come into being until the 19th century when the Bank of England was established as the only bank allowed to print banknotes in Great Britain (Tibbett, 1997; Davies, 2009). Massachusetts Bay colony was the first to issue paper currency in North America in 1690. The first bank notes were issued by the Bank of Montreal in 1817. Local paper currencies first appeared in the US in the form of municipal currencies during the ‘Free Banking’ era of 1837-65, a period when there was no central bank in the US (Jayaraman & Oak, 2005). The United States did not have a Central Bank until after the Civil War when a national currency became the norm and municipal currencies were no longer used (Solomon, 1996). Canada did not have a national currency until confederation in 1867 and did not have a Central Bank until 1933.

Local currencies regained popularity worldwide in the 1930's during the Great Depression with the issuance of scrip (non-legal tender, which acts as a substitute for currency often in the form of credit) (Jayaraman & Oak, 2005). Many Depression currencies were issued by employers as a way to pay their employees and keep production moving. These currencies were typically backed by the product produced, such as coal, and were accepted by businesses in the surrounding towns (Greco, 2001; Lietaer, 2001).

Barter, the direct trade of goods (without the use of a currency, except as a measure of value), became a popular alternative for businesses in the 1970s, accounting for an estimated 25 percent of East-West trade transactions, or trade between free market and communist or socialist countries. The use of barter increased in the 1980s and 90s, as did the development of smaller scale local alternatives (Tibbett, 1997).

This book focuses on the smaller scale local alternatives – the currencies that are part of a social movement to regain local economic autonomy. This book is a practical guide that will help you determine:
- What currency format is ideal for your community?
- What you need to start a successful currency
- How to promote your currency and educate your community about it

This book will share examples, insights and lessons learned from other currencies in order to aid you in the development of your currency.

The last chapter of the book details the creation of Mountain Money, the currency I coordinate and helped start in Saguache County, Colorado. This chapter will connect all of the pieces together in a concrete example and show you that it is possible to start a successful currency on a very small budget.

Note: While this book will mention the issues with the current monetary system and the history behind local currencies, it will not discuss them in-depth. There are many other books that do a wonderful job of addressing the issues that arise with national currencies. This book focuses on the positive – the solutions we can take part in today.

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3 A central bank is a country’s primary monetary authority. Central banks are typically responsible for printing currency and regulating a country’s money supply and monetary policy (“central bank,” n.d., para. 1).
Local Currencies: What are they and why should I care?

In the face of corporate globalization, local producers and retailers find their established local markets invaded by international competitors with massive advertising budgets, economies of scale, brand recognition, capital, and expensive product research and development. (Starr and Adams, 2003, 23)

Opponents of economic globalization argue that global free trade rules were developed to benefit the wealthy elite, without regard to the impacts on local economies, human rights, or the environment (ERSC, 2007; Smith, 2001). The exploitation of environmental resources, destruction of our natural habitats, an increase in income disparities, and loss of local economic sovereignty, self-reliance, and employment as production moves to countries with lower wages, are only some of the reasons motivating the actors in the anti-globalization movement (ESRC, 2007; Tibbett, 1997). The anti-globalization movement is a response to these negative effects of corporate globalization and the spread of capitalism.

The local currency movement, an active player in the anti-globalization movement, endeavors to strengthen local economies through re-localization (Helleiner, 2000; North, 2006). Local currencies are a type of complementary currency that can only be used within a specific geographic region. A complementary currency is a medium of exchange that is meant to work alongside the national dollar. Complementary currencies do not wish to replace the national dollar; instead, they aim to supplement it by working to address issues that national currencies either cause or do not address (Lietaer, 2001; Seyfang, 2001a). Issues that complementary currencies address includes: creating alternatives to an unjust society, building social capital, empowering the economically marginalized, and increasing purchasing power (Collom, 2005).

By focusing on a specific geographic region, local currencies work to plug economic leaks by keeping financial resources within a region. By building community, create social capital, combat environmental degradation, and create local autonomy (Helleiner, 2000; Gomez & Helmsing, 2008). There are over 1,500 local currencies worldwide (Jayarman & Oak, 2005).

Who starts and uses local currencies?

The type of people involved in the local currency movement has varied over the years. During the Great Depression, many of the currencies created were started by businesses that used them to pay their employees (Greco, 2001). For example, Wara, a currency started by a coal mine in Germany in the 1920's was backed by coal. The mine issued Wara, paper certificates that were redeemable for 1kg of coal, and used them to pay their employees. The employees

4 See page 43 for more information on economic leaks.
5 Excerpts from “Popular Theatre: Education for Community Engagement in the Local Currency Movement” written for AGSC 501.
could then use the Wara at local businesses who could continue to circulate the Wara or exchange it in for coal (Lietear, 2001).

Newer local currency initiatives stem from the Green Movement of the 1960s and its concern for the protection of the environment (North, 2006a). These newer currency initiatives work, in part, to help promote the consumption of local goods and services in an effort to decrease an areas carbon footprint. While both the older and newer generations of local currencies work to address scarcity of national currencies, Helleiner contrasts the local currencies that emerged in the 1980s to those created in the 1930s stating that, these kinds of currencies are not entirely new phenomenon, but previous currencies have existed temporarily…supporters of local currencies today by contrast are part of a more sustained transnational movement that aims to use this monetary structure as a tool for permanent social change” (Helleiner, 2000, pg 36).

Previous currencies were established to help communities get through economic downturns. Most recent local currency initiatives have emerged as a means of creating alternatives to globalization. (Glover, 1999; Helleiner, 2000; North, 2006). They are created by people who are unhappy with the effects of the current monetary system and are working to create more inclusive alternatives (Seyfang, 2001b; Tibbett, 1997). 6

This book focuses on the currencies that are part of the anti-globalization and environmental movements; movements that work to combat globalization and bring back stronger local communities.

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6 Excerpt from “Practicum Report” written for ADHE 501.
Types of Currencies

What type of currency is best for your community?
Types of Currencies
What type of currency is best for your community?

The most common types of local currency used today are: Buy-local scrip, Mutual Credit, Fiat scrip, Demurrage or stamp scrip, and Hybrids. The following section describes these.

Buy-local scrip is a paper currency that is tradable for national currency and can only be used within a specific geographic region. It aims to promote trade within a region, support local businesses and strengthen the local economy. While some communities use a one-to-one exchange rate with the national currency, many communities use a discounted exchange rate. For example, one dollar of the currency may be obtainable and redeemable for 90 or 95 cents of the National Currency (e.g., 1 USD), but hold the value of one USD dollar in participating local businesses. Discounting the exchange rate creates an incentive for local residents to use the local currency and a disincentive for businesses to trade the local currency in for national currency.

BerkShares
BerkShares is a buy-local currency, started by the E.F. Schumacher Society, in the Berkshires of Massachusetts (BerkShares, 2009c). When the BerkShares started in 2006, the notes were exchangeable at a 10% discount. This meant that businesses and individuals could purchase notes for 90 cents, but they were worth 1 USD in participating businesses. If a business traded a BerkShare in for USD, they received 90 cents. In 2009, BerkShares changed the discount to 5% to make the program more accessible to businesses (BerkShares, 2009b). Since 2006, over 2.4 million BerkShares have circulated throughout the region (Betties, 2009). Currently, BerkShares is accepted in over 350 businesses and exchangeable in 13 banks (BerkShares, 2009c).

Mutual credit is a currency in which the value is created by the users. The credit, or unit of exchange a community is using, is created every time a transaction occurs. The benefit of mutual credit systems is that there is no scarcity. Members do not need credits, or money, to receive anything. Everyone starts with a balance of zero and it is completely acceptable to have a negative balance. A negative balance simply means a commitment to the system. However, unlike in the traditional economy where a negative balance is considered debt and charged interest, mutual credit systems have no interest. The agreement when joining a mutual credit system is that members will aim to give and take equally, working towards a balance of zero.

For example, if Penny purchases a massage for 20 credits from Mary, Penny’s balance would decrease 20 and Mary’s would increase 20 (see the chart below). If Mary then purchases organic vegetables from John for 10 credits, her balance would decrease 10 and John’s would increase 10. If John then purchases accounting help for 20 credits from Dave, his account would decrease 20 and Dave’s would increase 20. If Dave then purchases healthcare from Penny for 20

“As the amount of money circulating in the community falls so does the level of trading. Business declines and people lose jobs, not because they have nothing to offer, but because there is not enough money to go around.” (Linton & Soutar, 1994)
credits, his account would decrease 20 and Penny’s would increase 20. If Mary then purchases 10 more credits worth of organic vegetables from John, her account would decrease 10 and John’s would increase 10.

As the chart shows, throughout all of these transactions the balance for the overall system remains zero.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Penny</th>
<th>Mary</th>
<th>John</th>
<th>Dave</th>
<th>Mutual credit system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting balance</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Penny purchases a massage from Mary for 20 credits</td>
<td>-20</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mary purchases organic vegetables from John for 10 credits</td>
<td>-20</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>John purchases accounting help from Dave for 20 credits</td>
<td>-20</td>
<td>10</td>
<td>-10</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Dave purchases healthcare from Penny for 20 credits</td>
<td>0</td>
<td>10</td>
<td>-10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mary purchases more vegetables from John for 10 credits</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Typically, supplies paid for in national currency should be reimbursed in national currency (Linton & Soutar, 1994; TimeBanks, n.d. a). For example, imagine you asked me to build you a worm bin to compost your kitchen scraps. If the wood and nails to build the bin cost me $5 USD and I spent 2 hours, valued at 10 credits an hour, building the bin and gathering the worms, I would charge you $5 USD plus 20 credits.

The benefits of mutual credit systems include their potential to allow people who are not included in the regular economy to gain the goods and services that they need. In addition, since members do not have to pay interest on negative balance, it allows people who are sick or temporarily unable to work the opportunity to get what they need now and give later, without having to incur interest (Linton & Soutar, 1994; TimeBanks, n.d. a).

The most common forms of mutual credit currencies are LETS and Time Banks. LETS, or Local Exchange Trading System, is a computerized third party barter system. Each system decides what unit of exchange it wants to use and what it wants its unit of exchange to be called. For example, some LETSystems designate a unit to be equivalent to $1 USD; while other systems may value 1 unit as 1 hour of time and have that one hour of time equivalent to $10 USD. In LETSystems all members’ balances are public. This is either achieved through an
online system or through a monthly directory that includes trader information, as well as their balances. This allows people to decide if they want to trade with others, depending on their balance. Some systems also create limits on how negative a member’s balance can get (Linton & Soutar, 1994).

Time Banks are mutual credit systems focused on volunteering and services. Time Banks were started in 1986 by Edgar Cahn, founder of the Antioch School of Law and co-founder of the National Legal Services Program (TimeBanks, n.d. b). Time Banks members list what services they would like to offer others in a directory that is kept online. Members can then either search for services through the directory or call one of the community coordinators to link them with the service they are looking for. Members receive Time Dollars for the services they perform. One hour of service is equivalent to one Time Dollar; everyone’s time is valued the same (TimeBanks, n.d. a). Most Time Banks set limits on how negative a balance can get. If a member’s balance reaches the limit, his/her ability to gain from trade is suspended until he/she provides services and increases his/her balance. Typically, Time Banks have special funds contributed by members who donate some of their hours to help members in need (Solomon, 1996). For more information on Time Banks, visit the Time Banks USA website at www.timebanks.org.

Fiat scrip is a paper currency that is issued by an organization and backed only by the trust of its users. The US dollar and most national currencies are fiat scrip; they are not backed by anything but our trust in the system. The benefit of local fiat currencies is that they increase purchasing power by adding additional trading power into the local economy. The difficulty of fiat currencies is the possibility of inflation. If too much fiat currency is issued, it floods the market and its value decreases. For this reason, fiat currencies typically have a board in charge of issuing currency and monitoring currency flows (Lietaer, 2001).

Ithaca Hours
Ithaca Hours, a fiat currency in Ithaca, New York, has been circulating since 1991. The currency is printed in denominations of 1 hour, ½ hour, ¼ hour, and ⅛ hour, with one hour equivalent to $10 USD. The currency is put into circulation through new memberships and small grants (up to 30 hours) given to community organizations (Krohn & Snyder, 2008). To join Ithaca hours, prospective members fill out an application form listing their goods and services available, pay an application fee of $10 annually for individuals or $20 or $40 annually for businesses, depending on size. Individual members receive 2 hours and businesses receive 4 or 8 hours, respectively (Ithaca Hours, 2009).

Demurrage7 or stamp scrip is a form of paper currency that loses value over pre-determined integrals of time. Stamps are purchased (typically, for two to five cents) and applied at specific

7 Demurrage means a charge for excessive retention. (Random House, 2010)
integrals of time (can be weekly, monthly, quarterly, or annually) to bring the scrip back to its full value. The idea behind stamp scrip is to keep the currency circulating. There are no benefits to hoarding a currency that loses two to five cents every one to three months. The demurrage encourages scrip holders to keep the money moving so that they can obtain its full value. The stamp fees can be used for a variety of purposes, such as supporting the currency project or helping local organizations. Wara, a currency issued by a coal mine in Germany in the 1920’s, used its stamp fee to pay for the storage of the coal the mine was using to back the currency. In Wörgl, Austria the currency was backed by schillings and the stamp fee was used to support a soup kitchen (Lietaer, 2001).

“As the owners of goods are always in a hurry for exchange, it is only just and fair that the owners of money, which is the medium of exchange, should also be in a hurry.” Gesell (1913)

Chiemgauer
The Chiemgauer is a scrip currency in the Bavaria region of Germany. Members of the currency are given a card, which enables them to obtain Chiemgauer and have the Euro equivalent withdrawn from their Euro bank account within two days. There are 43 offices, a mix of businesses and banks, where people can obtain Chiemgauer (C. Gelleri, personal communication, Feb. 18, 2010).

Chiemgauer are accepted at participating local businesses at a one-to-one exchange rate with the Euro. If merchants want to exchange the Chiemgauer back for Euro’s, there is a five percent fee. Three percent goes to a variety of non-profits and two percent goes to the administration of the project. In addition, the money is time-stamped. Every 3 months a stamp that costs 2 cents must be applied to the currency in order for it to maintain its value (C. Gelleri, personal communication, Feb. 18, 2010).

Hybrids are combinations of the previously discussed forms of currency. For example: The Tianguis Tlaloc is a combination mutual credit and fiat currency. Specifically, it is a LETS and HOURS hybrid. It was started in Oaxaca, Mexico in 1994, but after issues with the federal government due to its proximity to the Zapatista National Liberation Army in the neighboring state of Chiapas, it was abandoned and restarted in 1996 in Mexico City (Cohen-Mitchell, 2000; DeMeulenaere & Lopezllera-Mendez, 1999).

Upon registering, members receive 15 Tlalocs and 50 Tequios, which are debited into their account. One Tlaloc is equal to 25 pesos and 1 Tequios is equivalent to around 1/30 of an hour or 1 peso. Members can make exchanges with the use of notes in the denominations of ½ Tlaloc, 1 Tlaloc, 2, 3, 4, and 5 Tlalocs. Each note has a two signature lines on the front and ten on the back. The first two signature lines make the currency valid. When two members make a transaction, the member purchasing the good signs one signature line and the receiver of the note signs the other signature line. Now that the note is valid currency, the receiver of the note can use it to purchase a good from someone else. The receiver of a validated note simply signs the back and passes it on. When the note is returned to the issuing point, the accounts of the first purchaser who signed the note and the last receiver who signed the back of the note are credited and debited accordingly (Cohen-Mitchell, 2000; DeMeulenaere & Lopezllera-Mendez, 1999).
The hybrid currency has benefits of both mutual credit and fiat currencies. Since people who are not members are able to accept and pass on the validated bills, the system allows for inclusion of people who are not members of the system, like most fiat currencies. Since members are allowed to have a negative balance and create currency by transacting with others, the system has the benefits of mutual credit currencies (Cohen-Mitchell, 2000).

<table>
<thead>
<tr>
<th>Currency Format Characteristics</th>
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<tbody>
<tr>
<td>Tradable for national currency</td>
</tr>
<tr>
<td>Buy-local scrip</td>
</tr>
<tr>
<td>Fiat scrip</td>
</tr>
<tr>
<td>Mutual Credit</td>
</tr>
<tr>
<td>Stamp Scrip</td>
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</tbody>
</table>

There are many forms of currency out there and many yet to be created. The rest of this chapter will help you determine what currency characteristics are best for your community and what resources you will need to achieve them.

It is important to note that many complementary currency activists argue for multiple currencies. Just because an area already has national currency and a buy-local currency does not mean it cannot also have a mutual credit system. Different complementary currencies address different issues; therefore, having more than one currency can be useful. However, in order to not overwhelm the local population, and the currency organizers, it is ideal to start with only one.
What type of currency is best for your community?

Every community is different. No currency format is ideal for all communities. The right currency depends on a number of factors. The following questions aim to help you narrow down your choices and understand the complexities of each of the main currency formats.

Directions:
Answer the questions with your planning committee. It is important that the whole group do this together so that you are all clear about the overall goal of the local currency effort. If you disagree on the answers to any of the questions, discuss them. Why is there disagreement? Are you coming from different subsections of the community? Do different groups in the community view aspects of the community differently? If yes, it is important to understand these differences now so that you can address them and come up with a currency that meets the needs of a majority of the population.

The questions are multiple choice, some with multiple answers. Each answer has a list of letters to the right. The letters represent the currency formats that match the answer. When circling an answer, circle all of the letters to the right of that answer. You can circle multiple answers for each question. After you have completed the survey, tally up the totals for each letter. Make sure to account for the fact that not all questions hold the same weight. While it is really important to determine what goals you wish to accomplish with your currency, you need to give more weight to what your community will accept and want to use. For that reason, questions three, four, and five hold twice the weight of the other questions.

The currency format with the most points is likely the best fit for your community. After finishing the survey, turn to page 21. Pages 22-25 explain why the answers you provided in the questionnaire led you to certain currency formats. It is important to read through the answer explanations in order to understand the contexts in which different currency formats work.

Questions:
1. What goals do you wish to accomplish by creating a currency? Circle all that apply
   - Plug local economic leaks  
     B F M S
   - Address environmental concerns  
     B F M S
   - Increase purchasing power  
     F M
   - Addresses scarcity  
   - Create local economic autonomy  
     B F M S
   - Build community  
     B F M S
   - Build social capital  
     B F M S
   - Address hoarding  

---

8 Local economic leaks are when money leaves the local economy and does not come back (nef, 2008a). See *leaky bucket game* on page 46 for more information.
9 Social capital refers to relationships between people that include trust and helping each other out in times of need (Claridge, 2004).
2. Who is the currency for? *Be as specific as possible*
   a. A specific geographic area? B F M S
   
   b. A community of people? M

3. How open is your community to new ideas?
   a. Not very open BB
   b. Somewhat BB SS
   c. Very open BB FF MM SS

4. What is the level of trust within your community?
   a. Low BB
   b. Medium BB SS
   c. High BB FF MM

5. What is the economic situation of your community?
   a. Largely underemployed MM
   b. Low-income with a large portion of the population working multiple jobs BB FF SS
   c. Diverse BB FF MM SS

6. What is the geography of your area?
   a. Rural B F M S
   b. Suburban B F M S
   c. Urban
      i. If urban, is it for:
         1. Whole city? B F S
         2. Neighborhood within the city? B F M S
         3. Community of people within the city? M

7. What percentage of the businesses in your community are locally owned?
   a. 0 -25% M
   b. 25-50% B F M S
   c. 50-75% B F M S
   d. 75-100% B F M S

Total: B ___ F ___ M ___ S ___

Remember to count each of the double letters for questions three, four, and five. The letters stand for:
B: Buy-local scrip; F: Fiat script; M: Mutual credit; S: Stamp scrip
Explanation of answers

1. What goals do you wish to accomplish by creating a currency? *Circle all that apply*

- **Plug local economic leaks**  
  All complementary currencies, if kept within a specific geographic area, can help plug local economic leaks. By promoting and encouraging local trade, local currencies help to keep money within the community. If businesses and people start frequenting local stores instead of the non-local stores they used to, then they are plugging economic leaks.

- **Address environmental concerns**  
  All complementary currencies, if kept within a specific geographic area, can help address environmental concerns (Helleiner, 2000; Gomez & Helmsing, 2008). By encouraging trade within a specific geographic region, local currencies help to lower an area’s ecological footprint by reducing carbon emissions through vehicle travel, promoting small scale local agriculture, and more.

- **Increase purchasing power**  
  Fiat script and mutual credit systems both increase purchasing power by allowing for trade without the use of national currency (Collom, 2005). Fiat script adds additional currency into a community, therefore creating more purchasing power in an area. However, the amount of purchasing power that a fiat script creates is limited to the amount put into circulation. Mutual credit systems create currency every time a transaction occurs. Therefore, mutual credit systems add an unlimited amount of purchasing power to a community.

  It is important to note that stamp scrip can increase purchasing power if it is backed by a commodity and not tradable for national currency. For example, Wara, a currency backed by coal in Germany in the 1920s, was created as a way to pay employees of a coal mine at a time when there was a shortage of national currency. By printing and circulating Wara the coal mine was able to stay open and pay its employees (Lietaer, 2001).

- **Addresses scarcity**  
  Mutual credit systems create currency every time a transaction occurs. There is no scarcity because an unlimited amount of transactions can occur. The circulation of other currency formats is limited by the amount of currency printed and/or the amount of national currency or commodity that they are tradable for.

- **Create local economic autonomy**  
  Local economic autonomy means having more control over your local economy. By keeping the flow of money within a specific geographic region, local currencies help communities gain control over their economy. The more a community trades within

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10 Ecological footprint refers to a measure of a person’s impact on the natural environment. (http://www.earthday.net/footprintfaq)
the community, the less it is reliant on outside suppliers and affected by national economic forces (Helleiner, 2000; Gomez & Helmsing, 2008).

- **Build community**
  Local currencies support smaller locally owned businesses where customers are more likely to form relationships with the employees. They also encourage additional interaction between customers and employees. Mutual credit systems have an even greater chance of building community, since a majority of the transactions are typically between individuals rather than businesses (Helleiner, 2000; Gomez & Helmsing, 2008).

- **Create social capital**
  Social capital refers to relationships between people that include trust and helping each other out in times of need (Claridge, 2004). Local currencies work to build relationships, which are a key part of social capital (Collom, 2005; Williams et al, 2001). The more interaction people have with one another, the more likely they are to become part of each other's support network.

- **Address hoarding**
  Stamp scrip addresses hoarding by “taxing” the storage of money. The longer a person holds on to stamp scrip, the less it is worth (Lietaer, 2001).

2. **Who is the currency for?** *Be as specific as possible*
   a. A specific geographic area? **B F M S**
   b. A community of people? **M**

   While any currency can be limited to a specific geographic area, not all currencies will work for a specific community of people. Since mutual credit currencies require membership into a system, their use can be limited to a specific group of people. It is important to note that mutual credit systems do not have to limit membership; but many do have application processes that require interviews or background checks. Mutual credit systems are often used to provide services to people, such as giving someone a ride or cooking for someone. Having a screened membership is used to ensure the safety of the members (Anonymous, personal communication, Oct. 22, 2008).

3. **How open is your community to new ideas?**
   a. Not very open **B**
   b. Somewhat **B S**
   c. Very open **B F M S**

   Since buy-local currencies are exchangeable for national currency, they are the easiest to integrate into a community. People are more likely to grasp the idea of this system because it does not vary too far from their norm. In essence, it is a gift certificate that encourages people to shop locally (Greco, 2001). Businesses do not need to worry about getting stuck with currency they are unable to spend; if they take in more currency than they can spend, they can easily exchange it for national currency.

   Stamp scrip is a bit more challenging to people than buy-local scrip because it depreciates. Society has turned money into something that is valued more than the items
it is used to exchange (Rosenblith, 2009). All you have to do is put your money in an interest bearing bank account and watch it grow. The idea that the longer you hold on to money the less it is worth is contradictory to most people’s understanding of money. You need a somewhat open community to accept this and be willing to use a currency such as stamp scrip.

Mutual credit and fiat currencies are the most challenging for people. A question people often ask is “what happens if the system collapses?” While buy-local scrip and stamp scrip are tradable for national currency or backed by a commodity, mutual credit and fiat currencies are backed by the trust of the community. If a mutual credit or fiat currency fails and a business or person has a large amount of the currency, they are stuck with paying a high price for their participation.

4. What is the level of trust within your community?
   a. Low B S
   b. Medium B F M S
   c. High B F M S

Fiat currencies require a high level of trust because trust is the only thing backing the currency. In order for a fiat currency to work, people need to trust the organization starting the currency. They also need to trust that their community will support the project and that multiple businesses will accept and circulate the currency in order to keep it running.

While mutual credit currencies also require trust, fiat currencies require more. In a fiat currency, a participating business has the possibility of accumulating a large amount of the currency (Krohn & Snyder, 2008). However, mutual credit currencies encourage members to work to maintain a balance a zero (Linton and Soutar, 1994).

Buy-local scrip and stamp scrip require the least amount of trust because they are tradable for national currency or backed by a commodity (Greco, 2001; Lietaer, 2001). Even if the currency stops circulating, businesses and people know they can gain something in exchange for their local currency.

5. What is the economic situation in your community?
   a. Largely underemployed F M
      Mutual credit currencies have the potential to include those excluded from the traditional economy (Raddon, 2002). They are a great way for people to test out business ideas and start small home businesses. In addition, since mutual credit currencies create currency every time a transaction occurs, anyone can easily join in by offering and receiving goods and services.

      Fiat currencies can also be useful in underemployed areas because they create additional wealth in a community. People can join a fiat system and place ads for work they would like to offer to the community. However, unlike a mutual credit system where wealth is created every time a transaction occurs, fiat currencies create a limited amount of additional wealth.
b. Low-income with a large portion of the population working multiple jobs

Buy-local scrip, fiat scrip, and stamp scrip can all be easily integrated into the traditional economy; however, mutual credit currencies are harder to integrate into a business transaction. Mutual credit currencies have a tendency to consist of smaller home run businesses or services that people do not normally offer in the traditional economy (Aldridge et al, 2001). Therefore, people working multiple jobs, typically, have less ability to join mutual credit currencies because they are already so busy working the jobs they have.

c. Diverse

Any currency format has the potential of working in an economically diverse community. Buy-local and stamp scrip are easy to integrate into pre-existing businesses. Mutual credit currencies work well for underemployed communities or communities where people have extra time that they would like to use towards less formal work or volunteering (Raddon, 2002). Fiat currencies can work in both situations.

6. What is the geography of your area?

a. Rural
b. Suburban

c. Urban

i. If urban, is it for:

1. Whole city?
2. Neighborhood within the city?
3. Community of people within the city?

Most currency formats can work in a variety of geographic settings. However, if you are creating a currency for a large city, it would be difficult for a mutual credit currency to thrive, unless it is targeted at a specific community of people. Mutual credit currencies are based on trust and relationships. They work best in smaller communities where people have regular interactions with others in the system (Anonymous, personal communication, Oct. 15, 2008).

7. What percentage of the businesses in your community are locally owned?

a. 0-25%

b. 25-50%

c. 50-75%

d. 75-100%

Buy-local, fiat, and scrip currencies require a sizeable base of locally owned businesses to thrive. The idea of local currencies is to support local businesses rather than chain stores. While a local currency can be a great tool to support local businesses that are struggling to compete with an increasing presence of corporate chains, you need enough local businesses to have a variety of goods and services available, as well as to offer an outlet for participating businesses to spend their currency.

While this form did not address hybrid currencies, they are definitely recommended for groups that see the benefit of multiple formats and have the organizational capacity to create one.
Other Considerations

Legality
One question that local currencies are often asked is “are local currencies legal?” As of this writing, local and complementary currencies are legal in the United States if they follow the following guidelines.1
- Complementary currencies cannot resemble the US Dollar (ThePLENTY, 2010)
- You cannot force anyone to accept a complementary currency (Lietaer, n.d.)
- Notes must be at least $1 in value (Good, 1998)
- Complementary currencies must have a USD equivalent for tax purposes (Swann and Witt, 1995; Solomon, 1996)
- Exchange of professional services is taxable (Solomon, 1996)
- Private coinage is prohibited (Solomon, 1996)

Laws and tax laws change all the time. Check current tax laws or consult an accountant before proceeding. Lewis D. Solomon’s book “Rethinking our Centralized Monetary System” discusses in detail the legality of local currencies (1998).

Note: Time Banks USA was able to procure a tax-exempt status for Time Banks due to their volunteer nature. If you are thinking about starting a Time Bank, check with Time Banks USA about their current tax status (TimeBanks, n.d. a).

Size and Scope
Size is an incredibly important consideration when starting a local currency. What will the geographic area of the currency be? How large of an economic impact do you hope to accomplish? How many participants do you aim to have?

When determining the geographic area of your currency, you want an area that is large enough for people to meet their needs, but small enough for people to get to know each other. You also want to consider the goals of your currency. A larger area may enable currency users to meet all of their shopping needs; however, it may not fulfill the goals of the currency. For example, Mountain Money chose to limit our circulation area to our county, Saguache County. While a county may sound large for some areas, Saguache County has a population of only 7,000 people (ScSEED, 2009). While residents are unable to meet all of their needs within the county, we choose to limit our size to the county because Saguache County is the poorest county in Colorado (Colorado Preservation, 2009). Residents typically travel out of county to purchase goods, creating leaks in our local economy. Our aim is to have residents fulfill the needs they can within the county in order to strengthen the local economy.

While we cannot control how big or successful a currency will be, there are actions we can take to help us reach our goals. A study conducted by Collom (2005) found that mutual credit systems need at least 50 members to thrive. Therefore, if you aim to recruit 50 members in the first month, you are working to get the currency started and prevent attrition while people wait for the currency to pick up and have enough goods and services to satisfy them. Food is a basic need, a necessity of life. For this reason, aiming to have multiple food sources at various

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1 Information on the legality of currencies in Canada and the UK will be added.
levels, from farm to market, helps ensure the usefulness of a currency, which helps encourage user participation.

**Issues and Possible Solutions**

When choosing a currency format it is important to look at existing currency projects to learn from their successes and failures. What has worked? What issues do different currency formats face? What are possible solutions to deal with these issues? This section details various struggles that different currency formats have faced and possible solutions.

Note: A majority of the information in this section focuses on LETS. LETS is possibly the most widespread currency format and, as a result, a large portion of the academic literature on local currencies focuses on LETS.

**Outlets**

When starting a currency it is crucial to ensure that participating businesses will have an outlet for the currency they receive and that businesses only accept as much currency as they can circulate. This is especially important for fiat currencies. NCPlenty, a former hours based fiat currency in North Carolina, experienced this dilemma first hand. They were fortunate to have a food co-op as one of their participating businesses. However, they found that as people received their currency allotment they went straight to the co-op to buy food. The co-op, having limited locations to spend their currency, ended up stockpiling $33,731 worth of hours. Without the ability to use the currency to pay their suppliers, the food co-op had to stop accepting it and the currency eventually failed (Krohn & Snyder, 2008; ThePLENTY, 2010).

**Community**

When talking with another currency activist, let’s call him John, who had set up a LETS system that never took off, the question arose of “What comes first, the community or the community currency?” LETS are praised for their ability to create community (Helleiner, 200?; Gomez & Helmsing, 2008). According to Williams et al (2001), a third of 113 LETS systems surveyed were started in order to build community. However, in John’s experience, in Vancouver, it was hard to get a LETS system started without a preexisting community. In John’s opinion, you need a tight group of people in order to start a LETS system. He suggested targeting populations that already have ties and are located within a close proximity to each other. He also spoke of the need for frequent events to remind people about the currency (Anonymous, personal communication, Oct. 15, 2008).

**Size and usage**

A common theme in the academic literature on LETS is low usage and low membership levels (Glover, 1999; Peacock, 2000). Multiple studies have found that the average usage per person is only 12-13 times a year, or about once a month. A system that is only used once a month has a very small economic impact. In order to combat low usage, it is important to host regular events for members and connect in with existing community events.

In terms of low membership, Collom (2005), found that a LETS system needs at least 50 members to survive, as mentioned above. On the other hand, Solomon (1996), recommends putting limits on growth. If the system gets too large, it loses its personal feel, where members interact with each other often and get to know each other. In addition, the larger a system gets,
the greater chance there is that abusers, who take, but do not give, will join the system. If there are too many abusers, the system can fail (Solomon, 1996).

To address abuse, you can create limits on spending. Solomon (1996) proposes a membership agreement that includes “periodic settlement of outstanding accounts… requiring members who incur a large debit position to settle their accounts before purchasing additional goods and services” (41). My thought is to take this one step further by having limits that increase over time. If after so many months, a member has been maintaining a healthy balance, then their ability to accrue a negative balance can increase. This would require more administration, but could help decrease abuse, while still allowing members to accrue a negative balance in times of need.

In addition, abuse can be prevented through education. Francis Alyle, of the Fourth Corner Exchange, speaks of a need to re-educate people about money and train every member before they join the system (Alyle, n.d.). Chapter x includes more information on educational and outreach activities.
Planning your Currency
Determining Value

What will your currency be worth? If using buy-local or stamp scrip, will your currency be tradable for national currency or a commodity? Will it have a discounted exchange rate? If you are using fiat scrip or a mutual credit currency, will your currency hold a value equivalent to national currency, time, or some other value? This section details what to consider when determining the value of your currency.

Buy-local and stamp scrip:

When creating buy-local or stamp scrip, you have the choice between having your currency be tradable for national currency or a commodity. If your currency is tradable for national currency, you can either have a 1-1 to exchange, a discounted exchange rate, or a redemption fee. A discounted exchange rate provides an incentive for people and businesses to purchase the currency and bring it into circulation, as well as a disincentive for businesses to trade their currency back in for national currency. A redemption fee does not necessarily provide an incentive for people to purchase the currency, but it does provide a disincentive for businesses to cash the currency back in for national currency. If part of the redemption fee is used to support local non-profits or community organizations, then there is some incentive for charitably-minded community members to purchase the currency.

When creating a discounted exchange rate or a redemption fee, you need to create a discount/fee that creates a large enough incentive to keep the currency circulating, while still small enough to not scare businesses away. The amount of discount that businesses will accept will vary from community to community and from business to business. Successful businesses may be able to handle a larger discount amount, thinking of it as an advertising expense. However, businesses that are barely scraping by may not be able to afford even a small discount.

BerkShares started at a 10% discount and later moved to a 5% discount to make the currency more accessible to a larger number of businesses. That said, they still had hundreds of businesses accepting the currency with the 10% discounted exchange rate (BerkShares, 2009b). Mountain Money, however, is starting with a 5% discounted exchange rate and is finding that businesses fear that even accepting a few dollars per purchase of the currency will bankrupt them.

As an alternative to a permanent discount exchange rate, the Plenty, a buy-local currency in North Carolina, started off with a 10% discount for the first two months of the project and then moved to a 1-1 exchange rate. This provided an incentive for people to start using the currency, and resulted in 15,000 Plenty entering circulation (ThePLENTY, 2010). However, the Plenty is still in its first year, and the question of whether or not people will continue to circulate Plenty remains.

When creating a redemption fee, donating part of the fee to local organizations helps get people excited about the currency and can help businesses understand that the fee they are paying is going to a good cause. Toronto Dollar charges a 10% redemption fee and grants the funds to community partners (Toronto Dollar, n.d.). Chiemgauer charges a 5% redemption fee, donates 3% to local non-profits and uses the other 2% for administrative costs. Chiemgauer also suggests that currencies tradable for the national currency incorporate a fee of at least 5%. They believe that 7% is ideal and 10% is too high. Being a stamp scrip currency, Chiemgauer also strongly encourages demurrage (Gelleri, C., personal communication, Feb. 18, 2010).
If you are creating stamp scrip, you need to think about how much your stamp fee will be and how often it will be applied. Chiemgauer has a fee of 2% that is donated to a variety of non-profits, with the fee applied quarterly. Other currencies may apply the fee monthly or as infrequently as once a year (Gelleri, C. personal communication, Feb. 18, 2010). Think about your community and what its businesses can afford. How often would people be willing to pay a fee? Monthly may be too often, but anything less than yearly would minimize the impact.

While most current buy-local and stamp scrip currencies are tradable for the national dollar, some currencies are tradable for commodities. Mendo Food Credits is an example of a food-backed currency in Willits, California. Each Mendo Credit is worth $10 and backed by its equivalent in grains. The current food supply includes brown and white rice, pintos, and triticale (a wheat and rye hybrid), and they are looking to add red wheat and lentils in the future. The credits are in the form of paper coupons that list the amount of food they represent. For example, 1 Mendo Food Credit can get you either: 11 pounds of pintos, 11 pounds of white rice, 11 pounds of brown rice, or 17 pounds of triticale. The food is all organic and local, coming from farms within 150 miles. The prices are cheaper than store and wholesale prices, which can be helpful for low-income residents (Bradford, 2009).

Local residents can purchase the coupons at four local businesses: Bank of Willits, Mendones la Café, Book Juggler, and Leaves of Grass Bookstore. The coupons can then be used in the community for barter or to pay for services. Some stores are starting to accept them as well. Credits can be exchanged for food either at the farmers market or credit holders can call Willits Action Group (WAG), a non-profit organizing the project, to pick food up at their office. When picking up grains, people have the option of grinding their triticale into flour (Bradford, 2009).

When creating a food backed currency, the cost can either include the cost of storage and the grains or just the cost of the food. If the currency cost includes only the cost of the food, the cost of storage either needs to be subsidized or donated. Mendo Food Credits was fortunate to have a local business donate transportation and storage of food at no cost. Mendo Food Credits is also part of Mendo Food Futures, a project that aims to organize a local food system through farms, a community kitchen project, a grainery project, and the local currency. The project is funded by a two-year grant from the California Endowment (Bradford, 2009).

**Fiat scrip and mutual credit:**
Most fiat scrip and mutual credit currencies are valued either in hours or national currency. When valued in hours, for tax purposes, there is usually a dollar equivalent. Giving hours a national currency equivalent also helps businesses determine the value of their goods. For example, one Ithaca Hour is worth $10. Hours are available in ¼, ½, and ¾ denominations, simplifying business transactions for goods worth more or less than one hour (Ithaca Hours, 2009). When determining a dollar value per hour many currencies aim to create a value that honors people’s time and is an actual livable wage.
A Guide to Local Currency Development

Currency Design

The design of your currency will, in part, be determined by the format of your currency. If you have chosen to use a scrip currency, the medium will be some form of paper. However, if you are using a mutual credit system, you have the choice between paper and electronic. For scrip currencies, continue reading below. For mutual credit systems, jump to page 35.

Scrip Currencies
There are many aspects to consider when designing a scrip currency. You need to think not only about the design, but also about the measures you need to take to prevent counterfeiting, where and how you are going to print the currency, and the amount you are going to print.

Counterfeit protection: There are many ways to avoid counterfeiting including intricate designs, special paper, and special printing processes. The most effective method is to include a variety of techniques. Each of the following sections (paper, design, and printing) includes information about how to include counterfeiting protection within that medium. The degree of counterfeiting protection you require depends on the size of your community and the economic scope of your community. Aim to include one technique in at least two of the mediums for basic counterfeit protection. Increase the number of anti-counterfeiting techniques for larger communities.

Paper
When determining what type of paper you want to use for your currency, it is important to consider protecting against counterfeiting, as well as the message you want your currency to portray. Is it possible to use locally or regionally produced paper? What about tree-free or recycled paper?

A list of paper options follows, with information on their security, environmental sustainability and durability. Find a paper that best suits your needs for security, sustainability, durability, and cost.

Note: In order to hinder counterfeiting, you should not use paper stock paper or a paper that anyone can easily buy. If using a local paper maker, what are the costs involved in having them create a paper solely for your currency? Or will you rely on other security features to prevent the counterfeiting so that you can use a locally made paper?

Durability: You want a paper that is going to withstand regular wear and tear; otherwise, you will end up having to reprint and replace the currency fairly often. Test out your paper options before buying; most paper companies will send you samples. Carry the paper around in your wallet, try printing on the paper, and put your paper through the wash. It is important to test to make sure the paper withstands regular wear and tear and that the ink printed on the paper does not wear off.

Types of paper:
- Security paper is a special type of paper that incorporates special features, such as hidden messages, embedded fibers, watermarks, coin activated symbols, or
holograms, that make it impossible to copy the currency with a copy machine. (Micro Format, 2010)

- **Tree-free paper**
  Tree free paper is not only environmentally friendly, but it can also include natural counterfeit protection. Look for tree-free paper that includes visible grains of pulp or fiber; these fibers may show up when photocopied, helping protect your currency against counterfeiting. Examples of tree-free paper include: hemp, bamboo, bagasse (sugar cane husk), cereal straws (husks and straw from barley, oats, wheat, rice, or rye), jute, kanaf, and wild grasses (TreeFreePaper, 2009).

- **Cotton and linen**
  The US dollar is made from a blend of cotton and linen. This makes the paper not only durable, but also washable (PBS, 2002). While it is difficult to find a similar cotton and linen blend, you may be able to find another product with similar durability.

- **Plasticized paper**: The Tianguis Tlaloc, a currency in Mexico City, uses a plasticized paper that is durable and difficult to find (DeMeulenaere & LopezÌlera-Mendez, 1999).

**Design:**
What message or images would you like to depict on your currency? Are there particular symbols, historical figures, or geographic features that hold importance in your community? Will local artists design your currency? Or school children? (See page 50 for information on holding a design contest)

Note: If designing stamp scrip, you need to ensure to leave spaces for the placement of stamps. Some currencies create a border around the note for stamp placement, while others create a stamp grid on one side of the currency.

**Design features:**
- **Overlaid images** can be used as an alternative to watermarks, which are made during the printing process (Burke, S. personal communication, Feb. 15, 2010; ThePLENTY, 2010).

- **Serial numbers**: The inclusion of serial numbers is a very low cost method of preventing straight copying of bills.

- Will your currency have a design on both sides? Or, just one? If only one side of your currency contains a design, the other side can be used for signatures or endorsements (see page 37 for more information on tracking usage by having users endorse the currency).
**Printing**
When deciding on your printer it is important to consider:

- What printing processes and techniques are they are able to use?
- Do you want to use a printer that specializes in currency printing?
- Do you want to support a local printer?
- How reliable is the printer? Will they be able to get everything done on time?
- How much will it cost?

**Special Printing Processes:**
Using a printing process other than a laser printer can create distinguishing features that can help protect your currency from counterfeiting. In addition, certain printing modalities offer the ability to include anti-counterfeiting design features.

**Letterpress:**
BayBucks, a fiat currency in the Grand Traverse area of Michigan, recommends using a letterpress. Depending on the letterpress, it can sometimes be easy to distinguish the currency by touch, due to the letterpresses textured printing (Marotta, n.d.).

If using a printing process other than a letterpress, as one of your main anti-counterfeiting techniques, it is always good to test it out first. Mountain Money had originally planned on using a local letterpress, as a low-cost means of printing our currency. A local newspaper in our area utilizes 1800’s technology and a 1921 linotype machine and printing press (Clark, n.d.). Since it is one of the few letterpresses in the US utilizing that technology and since most of the newspaper’s work is highly distinguishable, both parties assumed that it would be easy to tell that the notes were printed on a letterpress and would, therefore, be hard to copy. However, after receiving our special paper, we learned that the letterpress would not print evenly on our paper. We also noticed that, even after multiple consultations between the artists and the printer, the designs did not print well on the press. On top of all that, you could not even tell that it was printed with a letterpress; it looked like it could have been printed from a regular printer. It was not going to work for our currency. Fortunately, we had a few weeks leeway before the launch, which allowed us to find another printer and get everything printed in time, with only a $135 loss for the printing plates.

**Specialty inks:**
- **Metallic ink** offers a distinctive look that can resemble the look of foil (International Paper Company, 2010).
- **Magnetic ink** allows text and images written with the ink to be scanned electronically. Magnetic ink is used to print serial numbers on checks (International Paper Company, 2010).
- **Security inks** offer tamper proof features. Security ink varieties include: visible infrared, pen reactive, UV invisible fluorescent, and more (International Paper Company, 2010).

**Cost:**
It is important to find the balance between your currency’s anti-counterfeiting needs, the desire for intricate design features, and cost. The degree to which you need to protect your currency
from counterfeiting varies from community to community. A small rural county of 7,000 people needs a lot less counterfeiting protection than a metropolis of one million people. The economic value of the currency should also be considered. Is it worth counterfeiting? Typically, if someone were going to counterfeit a currency they would do one with the most payout for their effort. A currency that can only be used for 10-50% of a purchase in a handful of businesses may not be worth counterfeiting. In addition, in a small community, a person will not be able to get very far before someone catches on (Burke, S. personal communication, Feb. 15, 2010). That said, you still need some protection. The key is in finding that balance between having enough protection, and not wasting resources and money on excess protection.

**Mutual Credit Currencies**

Mutual Credit currencies can be managed electronically or with paper checks. When deciding between a paper and electronic currency, it is important to evaluate the benefits and challenges of each system in relation to your community. Below are charts summarizing the benefits and challenges of electronic systems and paper checks, followed by descriptions of some of the options available for each.

**Electronic (online system)**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential lower start up cost</td>
<td>Difficult for businesses to integrate into their day to day transactions</td>
</tr>
<tr>
<td>Less administration needed than a paper mutual credit system</td>
<td>Yearly hosting fees</td>
</tr>
<tr>
<td>Easy for members to advertise their services and connect with other members</td>
<td>Online system administrator needed</td>
</tr>
<tr>
<td></td>
<td>Not everyone has computer and internet access</td>
</tr>
<tr>
<td></td>
<td>Steeper learning curve</td>
</tr>
</tbody>
</table>

**Paper checks**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easier for businesses to integrate into their day to day transactions</td>
<td>Potential higher start up cost (depends on how much anti-counterfeit protection you incorporate and how much you print)</td>
</tr>
<tr>
<td>Having it in your wallet reminds you to use it</td>
<td>Administrator needed to record members balances</td>
</tr>
<tr>
<td>Similar to the currency that people are used to</td>
<td>Need to reprint checks or currency as signature lines fill up</td>
</tr>
<tr>
<td>Possibility of selling collector's sets for a profit (if using notes rather than checks)(^\text{12})</td>
<td></td>
</tr>
</tbody>
</table>

\(^\text{12}\) See next page for more information.
Electronic
There are a few software programs that have been developed specifically for mutual credit systems. These systems allow members to post their exchanges, resulting in less administrative work. While electronic systems offer many benefits, they only work in communities with computer-savvy individuals and a reliable Internet connection.

Following is a list of existing programs, most of which are free or affordable. If your organization has its own server and computer tech, you can host the program yourself at a low cost. Other options include working with a local Internet hosting organization or hiring one of the companies that specialize in hosting the various currency software systems (listed on the various currency websites).

Cyclos
Cyclos is an open source, currency software. Its features include: online access, mobile access, integration with other websites, message board, member profiles, member directory, messaging system, reports and activities, referrals, transaction qualifications, loans, help function, member management, contribution and fees, content management, translation management, and more. It has a free online demo and is available for free download on the Cyclos website (STRO, n.d. a; STRO, n.d. b)

Complementary Currencies Drupal Module
The Complementary Currencies Drupal module is another open source currency software. It utilizes Drupal, free software that allows individuals or groups to create, publish, and manage website content (Buytaert, 2009). Its features include: a directory for offers and wants, balance limits, mass payments, email notification, statistics, tax, and more. It is available for free download at http://drupal.org/project/mutual_credit. While not as powerful as Cyclos, it is more configurable (matlats, 2009).

TimeBanks Community Weaver Software
If you are planning on starting a TimeBank, check out www.timebanks.org. The TimeBanks website offers a variety of information for groups looking to start a TimeBank, including details on their Community Weaver software (TimeBanks, n.d. a).

Paper Checks
Mutual exchange credit systems are possible in areas without computers. LETSystems have been around since the 1980’s, before the boom of the Internet and home computers. The only potential downside of using paper checks to record the transactions of a mutual credit system is the extra administrative time needed to keep track of all the transactions. LETSystems using paper checks need some sort of office or check drop-off location. After a transaction, users will have to mail or deliver checks to the system administrator who will record transactions.

Alternately, standardized value check notes (i.e. checks for predetermined values) can be used with extra endorsement lines on the back, to minimize administration and allow users to keep notes they receive in circulation (Cohen-Mitchell, 2000). See the Tianguis Tlaloc example on page 18.

If creating a mutual exchange currency with paper notes, you will want to include some of the counterfeit protection features, described on pages 32-35, in your notes.
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Evaluation Tools

When starting a local currency, it is essential to determine what tools you are going to use to evaluate the effectiveness of the program. Evaluation tools are useful for determining not only the impact of a program, but also what aspects of the project may or may not be working. In addition, many funding sources require a follow-up assessment of the project. This chapter suggests a few tools that may be useful in the evaluation of your currency project.

Local Multiplier 3:
The Local Multiplier 3 (LM3) is a tool developed by the New Economics Foundation. A local multiplier indicates how many times money circulates within a local economy. The LM3 tool starts with surveys that measure how much money local businesses spend locally, along with how much the staff and local businesses those businesses pay spend locally. Through a variety of calculations, the tool helps you use that data to determine your area’s local multiplier. If used before the start of the currency and at regular intervals after, calculating the local multiplier can show if a currency is causing more money to stay within the community (nef, 2008b).

The LM3 tool can be found on the New Economics Foundation’s Plugging the Leaks website, www.pluggingthleaks.org, which offers a range of free tools, games, and information.

Notes with a yearly expiration date
Some currencies issue notes with expiration dates, requiring users to trade the notes in for new currency at the end of the year or by an expiration date printed on the bill (DeMeulenaere & Lopezllorea-Mendez, 1999; Salt Spring Island Monetary Fund, 2010; Toronto Dollars, n.d.). This allows currencies to evaluate how much of the currency is actually in circulation. For currencies tradable for national currency, knowing how many of the bills have been taken out of circulation offers currency projects the ability to use the funds “backing” the unredeemed bills.

Nevertheless, while expiration dates allow for enhanced tracking of the number of bills in circulation, the reprinting of bills is not the most cost effective or environmentally conscious evaluation tool. In addition, not all currencies that have tried this method have found it successful. Salt Spring Dollars, a buy-local currency for Salt Spring Island, BC, Canada, had hoped this method would allow them to cover costs by using the funds “backing” bills taken out of circulation to cover the costs of currency printing. However, they found that the expiration date concerned members of the community, which led to the removal of the expiration dates (Salt Spring Island Monetary Fund, 2010). Toronto Dollar is another example of a currency using bills after their “valid until” date (Toronto Dollar, n.d.).

Endorsing Notes
Encouraging users to endorse notes is an easy way to track usage of a currency. Tianguis Tlaloc, a hybrid currency in Mexico City, asks users to record their name and date on the back of each note. This enables the currency administration to track how many times notes are changing hands. If using this approach, you can easily incorporate signature lines into the currency design. However, there is no guarantee that users will sign the notes (Cohen-Mitchell, 2000). While this
method will give you some idea of the currency circulation, it will by no means be completely accurate.

**Buy-local currencies: Measuring through bank account**

Currencies that are tradable for national currency can measure the amount of currency in circulation by tracking how much money is in their bank account. Viewing the turnover of the account, i.e. how much money is deposited and withdrawn, allows a currency to see how much national currency is being exchanged for local currency and how much local currency is being redeemed for national currency, respectively. The BerkShares share an example of their tracking spreadsheet at http://www.berkshares.org/accounts.htm (BerkShares, 2009a).
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**Signing up businesses**

A currency is only successful if there is active participation and a variety of goods and services that can be purchased with it. Therefore, it is crucial to get businesses on board before the start of the currency. Business outreach should be a priority for a few months prior to and after the launch of a currency. Businesses should also be consulted during the initial planning stages of the currency, as discussed in chapter two\(^{13}\).

Having a variety of goods and services available for purchase with the currency is not only important for attracting users, but also because businesses often want to see that other businesses are accepting the currency before they agree to participate. In part they want to be sure that they can spend the currency they receive. It becomes a bit of a chicken and egg dilemma: businesses won’t join until they see that others are accepting, but you cannot get businesses to accept until there are others accepting. For this reason, it is important to target key businesses first. Key business may include larger locally owned businesses, as well as businesses that provide basic needs, such as food. It is also important to consider the services that businesses hire out for locally. In our community, a high altitude valley sitting at 8,000 feet in the Rockies, snowplowing is a highly needed service in the winter. One local business mentioned that it would definitely be able to accept the currency if it was able to pay for snowplowing with it. As a result, snowplowing was one of the businesses we targeted to sign-up at the beginning of the project.

When deciding what key businesses to sign up first, you need to think about where those businesses are going to be able to spend their money. If using a fiat currency, you do not want the accepting grocery store to be burdened with more currency than they can handle. This would happen if the grocery store receives a larger amount of local currency than it is able to use to pay for their supplies and labor. If using buy-local or stamp scrip, the goal is for a business to circulate all of the currency they are receiving, rather than cashing it in for national currency. Therefore, it is important to ask: Are there other local businesses that are currently supplying to those key businesses that might accept the currency? Are there local farms that could be supplying to that grocery, but for some reason are not? Can you create that bridge?

It is also important to concentrate on people’s basic needs first. A currency that can only be used for luxury items can only go so far. While it is crucial to have luxury goods and service providers accepting the currency, if the people providing those luxury goods and services are unable to use the currency to pay for their basic needs, they may not be able to accept a large amount of the currency. The more people are able to use the currency for their basic needs, the more currency businesses will be able to accept and the more your ability to attract businesses to accept a currency that is not tradable for national currency will increase.

**Tips for attracting businesses**

- As much as possible, arrange for face-to-face meetings with businesses. Whether you are able to meet with business owners one-on-one or in a small focus group or informational meeting setting, having the personal interaction to answer questions is crucial (Anonymous, personal communication, Feb. 9, 2010).
- Send out introductions and information about the project through local chambers of commerce and business associations. See Appendix B for an example.

\(^{13}\) Chapter two has not been written yet.
Create a “business information packet” providing businesses with all of the information they need in one place. This also offers businesses the opportunity to see what accepting the currency entails, so that they can formulate their views and questions before meeting with a coordinator to discuss the possibility of their acceptance (Anonymous, personal communication, Feb. 9, 2010). See appendix B for a sample packet.

When talking with businesses, it is necessary to stress the fact that businesses do not have to accept 100% local currency. Regardless of how many places you may have written and explained this fact, businesses often worry about being burdened with a large sum of local currency.

Think about timing. If you live in a seasonal area where businesses struggle to make ends meet half of the year, you might not want to start the currency during the slow season. If businesses are having difficulty paying their bills, they may not be in the best position to look past the numbers and see the long-term benefits of a local currency.

For scrip currencies, encourage businesses to give the currency as change to willing customers who pay in national currency.

This is a great way to inform the community about the currency and it helps businesses circulate the currency they receive.
Education and Outreach

While the benefits of local currencies are significant, they are only achieved if a currency grows strong enough to have an impact (Glover, 1999; Peacock, 2000). Unfortunately, Glover (1999) and Peacock (2000) both found small size to be a limiting factor. In studies conducted by Aldridge et al. (2001) and Seyfang (2001b), the average LETS (a form of local currency) usage was only about one transaction a month per person. Furthermore, Collom (2005) found that out of eighty-two community currencies using printed money in the United States from 1991 to 2004, only seventeen were still operational in May of 2004.

According to North (2000), local currency initiatives are falling short in their promotional strategies. Education and outreach are two key components in the successful promotion of a local currency. They often go hand in hand, since you can educate while you do outreach. This chapter starts with an overview of the key topics to teach when educating about local currencies. It then outlines tools that can be used for education and promotion.14

Educational Topics

When promoting a local currency, it is not only important for prospective users to understand what the currency is and how they can use it, but also why they should use it. How does the currency apply to them? Why should they want to use it? How can it improve their standard of life? Following is a list of topics to educate on when starting a local currency. Depending on your currency format, some topics may be more applicable than others.

What is money?
Money is an agreement. It is a means of exchange and a measure of value. “Money is not a thing, although it appears as an object (paper, gold, silver, coins)” (Lietaer, B.; 2003). Yet we cherish money more than the things for which it is a means of exchange. Thanks to interest, money can sit in a bank account and grow, becoming more valuable than the commodities it is meant to exchange and value.

Originally, money was simply an agreement to use shells, gold, or some other commodity as a medium of exchange between individuals. Paper currency originated as certificates for gold kept in a bank. Rather than cashing in certificates for gold to make transactions, people started trading the certificates. When the gold bankers realized that people were not redeeming their certificates for gold, they started lending certificates for gold they did not have. This was the start of fractional reserve banking, which allows banks to lend out more money than they have (Greco, 2001; Rosenblith, 2009).

Today, money is no longer backed by gold, but by our trust in the system (see the next question for more information on this). However, contrary to common belief, money is not created by our governments, but by banks. Thanks to the fractional reserve system, every time banks make a loan, new money is entered into circulation. When you go into a bank to borrow money, the bank debits their accounts the money they loan you and credits your account the liability (Greco, 2001). However, the banks do not create the interest you will have to pay them when you return

14 Excerpts from “Practicum Report” written for ADHE 501.
the loan, which means there is less money in circulation than is needed. To pay back the interest you have to go into society and gain that interest from someone else. Therefore, the system creates competition and scarcity (Rosenblith, 2009).

**What is the history of money in the U.K, Canada, and the United States?**

**United Kingdom**

The British Pound Sterling is the oldest currency still in use. It originated in the last part of the eighth century C.E. during the reign of King Offa of Mercia. King Offa introduced silver coins, known as sterling, to the Saxon Kingdoms. Sterling has remained in use, though varying in worth and decree, ever since (British Pound Sterling, n.d.; Currency Information and Research, 2010).

In 1694, the Bank of England was founded and in 1695 the Bank of Scotland was founded (Davies, 2002). The Bank Charter Act of 1844 established the Bank of England as the only bank allowed to issue banknotes in the United Kingdom. However, in 1865 the Banknote Act enabled Scottish banks to issue their own banknotes (Davies, 2002).

In 1931, Britain abandoned the gold standard. For a period before 1932, the Bank of England had varied the interest rate it charged as a means of controlling the monetary system. After 1932, the Bank of England’s interest rate remained mostly unchanged for almost 20 years.

Prior to 1971, British currency consisted of pounds, shillings and pence. One pound was equivalent to 20 shillings, and there were 12 pence in a shilling; therefore, one pound was 240 pence. In 1971, the British pound switched to the decimal system, eliminating the sterling, using only pounds and pence with 100 pence in a pound (Davies, 2002).

**Canada and the United States**

In Canada, strings of beads made out of white or purple shells, acted as a form of currency for First Nations, since they were hard to make and, therefore, highly valued. This form of currency was called “wampum” by English settlers and was used on both the east and west coasts of Canada. Copper shields and other copper items were also used by First Nations on the west coast (Davies, 2002; Powell, 2005). Wampum was also used in the United States. In 1664 Stuyvesant paid workers in wampum to build a fortress in New York and in 1716 J.W. Campbell created a factory in New Jersey for the construction of wampum (Powell, 2005).

In the French colonies of Canada, coins from France were used and in 1670, silver and copper coins were designed specifically for use in the French colonies. In 1685, 1686, and 1690 the French Minister of the Marine issued card money (in what is now Quebec), without the blessing of the King, in order to pay and feed soldiers. However, even though the currency
was redeemable, inflation occurred after excessive issuing. In 1729, the King granted permission to reprint card money, which was redeemable for goods or bills of exchange, which were similar to checks). In 1763, the Treaty of Paris was signed between Britain and France and paper notes starting being accepted by British merchants in the Canadian colonies (Powell, 2005).

The British colonies were able to regulate their own use of currency, with each colony deciding how much coins were worth. For example, a Spanish silver dollar “was appraised at 4 shillings and 6 pence in London, 5 shillings in Halifax, 6 shillings in New England, 7 shillings and 6 pence in Pennsylvania, and 8 shillings in New York” (Powell, 2005, p. 11).

In the United States, tobacco was used as currency in Virginia for almost 200 years starting in 1619. In 1727 certificates proving the quality and quantity of tobacco deposited in a public warehouse become legal tender; therefore, legalizing the use of tobacco as currency (Davies, 2002). Massachusetts bay colony (US) was the first to issue paper currency in North America in 1690. Paper currency was typically used in times of war and was issued by Prince Edward Island, St John, New Brunswick, and Nova Scotia in Canada. Nova Scotia continued to use paper notes after the war as a means of financing public works; however, backing of the notes deteriorated in 1826 and the notes became inconvertible (Powell, 2005).

After the Bank of Montreal was established in 1817, it issued the first bank notes. Other banks in both Canada and the United States followed suit. Notes in the US were denominated in dollars (modeled after the Spanish dollar system), while bank notes in Canada were denominated in both dollars and pounds. The use of dollars was favored in much of Canada due to increasing trade between Canada and the US. When the Province of Canada was created in 1841, both the British gold sovereign and the US gold eagle were considered legal tender. A Currency Act was passed in 1854 that recognized pounds, shillings, pence, dollars, and cents all as legal tender in Canada (Powell, 2005).

Canada

One year after confederation in 1867, the Dominion Notes Act was passed, creating Dominion notes, which were partly backed by gold. In 1871, the denominations of Canadian currency were declared as dollars, cents, and mills (1/10 of a cent), and a fixed exchange rate was created in relation to British gold sovereign and US gold eagle (Powell, 2005). In 1876, the Canadian Indian Act banned the potlatch, a First Nations gifting ceremony that was a primary means of distributing wealth (Davies, 2002). Canada remained on a gold standard until 1914, when World War I broke out and the redemption of Dominion notes for gold was removed. The gold standard was reinstated from 1926-1931. The Central bank for Canada was created in 1933 and received royal assent in 1934. In 1935, Dominion notes were replaced by bank of Canada notes (Powell, 2005).

The Bretton Woods Agreement was signed in 1944, establishing the International Monetary Fund (IMF) and a fixed exchange rate where currencies were pegged to a certain amount of gold. However, from 1950-1962, Canada opposed the agreement and switched to a floating exchange rate. Canada returned to a fixed exchange rate from 1962-1970 after its strong dollar, caused by its floating exchange rate, made it less competitive internationally. In 1970, the Bretton Woods' fixed exchange rate agreement collapsed and Canada returned to a floating exchange rate (Powell, 2005).  

15 For a more extensive history of money in Canada, you can download “A History of the Canadian Dollar” by James Powell from the Bank of Canada website (www.bankofcanada.ca/en)
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United States

In 1789, the US Constitution gave Congress the power over money creation. States were no longer able to coin money or issue bills of credit; gold and silver were the only forms of legal tender. However, this was reversed in 1837 and US States were granted power to issue paper money (Davies, 2002). From 1837-65, the United States had a variety of local municipal paper currencies (Jayaraman & Oak, 2005). In 1860, the US established a Treasury, which relayed on coins for payments and receipts (Davies, 2002). In 1862, the US government issued a national currency called Greenbacks. In 1863, the National Banking Act established “federally chartered note-issuing banks” and the use of US securities as collateral for notes issued. In 1864, the US outlawed private coinage and in 1865 instilled a 10% tax on state bank notes, which resulted in the closing of state banks. This was the end of municipal currencies and the beginning of a single national currency for the US. The Greenback continued as a fiat currency until 1879 when it was converted to a gold-backed currency. In 1913, the Federal Reserve Act was “designed to create a special, centralized public sector reserve agency that would provide the nation and its banks with emergency currency reserves by acting as a lender of last resort to forestall panics and illiquidity in the banking system.” (Solomon, 1996, p.12). In 1914, at the onset of World War I, the US, along with all major countries of the time, temporarily suspended the gold standard. After bank failures in 1934 and again in 1971, the gold standard was removed so that money could no longer be redeemed for gold or silver. In 1971, the US dollar became a fiat currency (Solomon, 1996).

Economics leaks

An economic leak is when money leaves the economy. Imagine the local economy as a bucket. Every time money enters the economy, the bucket gets a little fuller. Every time money leaves the economy, to purchase goods or services, a hole forms in the bucket and money starts leaking out (nef, 2008a).

Plugging leaks refers to stopping economic leakages. For example, imagine your community’s grocery stores purchase all of their vegetables from out of the area when there are local farms that have the capacity to produce enough food to sell to the local markets. Creating links between the stores and the farms so that the stores start selling local produce would plug an economic leak (nef, 2008a).

Local economic multiplier

A local multiplier indicates how many times money circulates within a local economy. When we spend money in our community, the money stays inside and circulates from business to business. The more the money circulates, the stronger our economy becomes. The wealth is shared and opportunities arise for more local employment (nef, 2008c).

Studies have found that money spent at a local retailer circulates has over three times the economic impact as money spent in a chain store. (Civic Economics, 2002; Institute for Local Self-Reliance, 2003)
Figure 1 shows the differing impact of money spent at local businesses versus money spent at a chain store in Austin, TX. Civic Economics (2002) found that for every $100 spent at the Borders (a chain bookstore) only $13 stay within the community, while BookPeople and Waterloo (two local bookstores) $45 stayed within the community. Civic Economics defined local economic impact as local expenditures on items such as labor, profits, goods and services (Civic Economics, 2002).

Figure 2 shows the differing economic impact of chain stores and locally owned businesses in Midcoast Maine. The Institute for Local Self-Reliance (2005) studied eight locally owned businesses and found that they 44.6% of their revenue was spent within the surrounding two counties, with an additional 8.7% staying within the state of Maine. The money spent went to: wages; to purchase inventory, supplies and services from other local businesses; profits; and taxes paid to local government. In contrast, they found that big chain stores spent an average of 14% of their revenue locally (Institute for Local Self-Reliance, 2003).

What are the side effects of interest?
There is a limited supply of money. While banks create money by issuing loans, they only create the principal, or amount lent. Banks do not create the money to pay back the interest on the loan. For example, say Tom borrows $90 from a bank at an interest rate of 10%. The bank "creates" that $90 through the fractional reserve system, which allows banks to loan up to 90% of their cash reserves. So, if I deposit $100 into my bank account, the bank can loan $90 to Tom. Since I still have $100 in my bank account and Tom now has $90 that he received as a loan from the bank, the bank has created $90. However, since Tom’s loan has a 10% interest rate, he has to pay the bank the $90 principle (amount loaned) plus $9 in interest. This means that Tom is in debt $99 but only $90 was created by the bank. Therefore, Tom has to get $9 by competing in the market. This example demonstrates how there is more debt than money available. This causes competition over a scarce supply of money, which leads to income disparities and an inequitable distribution of resources (Rosenblith, 2009).

16 (Civic Economics, 2002)
17 (Institute for Local Self-Reliance, 2003)
Education Tools

Part of our role as a community organizer is the role of the educator. As educators, it is our job to provide our communities with all of the information they need to make choices for themselves about the local currency we are creating. While we may not be working in educational settings with defined roles of teacher and student, we can still learn a lot from educational theory. What different teachings styles can we use to share our information? What styles are most appropriate for our community? What can we learn from other educators who have worked in social movements?

Since the local currency movement is part of the environmental movement, the theories used for environmental adult education can be useful when educating in the local currency movement. Environmental adult education scholars discuss their use of people’s existing knowledge in the creation of collective knowledge (Clover, 2002; Walter, 2007). Environmental adult education utilizes dialogue and debate and is oriented around the community and context it is working in (Clover, 2002). According to Clover (2003), “environmental adult education is an engaged and participatory process of political and social learning and not solely a matter of individual behavior change and information transformation” (p.10).

When educating in the local currency movement, we can apply the theories of environmental adult education by using tools and techniques that draw out our community’s existing knowledge. The following tools are designed with this in mind.

Remember, money is a topic that normally comes with a lot of baggage18. People have preconceived notions about money: what it is, where it comes from, what it means to them. But most people do not know the truth about where money comes from; see “What is money?” on page 41 for more information. (Rosenblith, 2009). People are not necessarily going to be open to accepting a change in something they use almost every day of their life.

Leaky Bucket Game19
Purpose: The purpose of the leaky bucket game is to demonstrate how money leaves the local economy. It also shows how people supporting local businesses and trading with each other can strengthen the local economy.

Version 1:
Time: 10-30 minutes

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18 Encarta defines baggage as “preconceived ideas: ideas, beliefs, or practices retained from somebody’s previous life experiences, especially insofar as they affect a new situation in which they may be no longer relevant or appropriate.” Since money is something that we deal with almost every day of our lives, it is understandable that we carry preconceived ideas about it. (Baggage, n.d.)

19 This game was adapted from: Cunningham, 2003 and Just Change U.K., n.d.
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Props:
- 1 bucket with holes in it. Garden pots work great because they already have holes in the bottom; therefore creating less waste.
- 1 large container full of water (should be a few times larger than the bucket with holes)
- 1 bucket for transferring water from the large container to the bucket with holes
- If indoors, a large bucket or kiddy pool to catch water leakage
- Duct tape
- A stick

Setup:
- Take the bucket with holes and cover the holes with duct tape. Make sure the different pieces of tape can be removed without revealing more than one hole. It may help to fold the edge of the strips over themselves for easy removal. Be sure to test the bucket for water carrying ability. If the bucket with duct taped holes leaks, try another bucket or better quality duct tape. Alternately, you can do a smaller version of this game with plastic cups; however, this option only works for small audiences.
- Place the large container of water and the transferring bucket adjacent to performance space.
- If indoors, hold the bucket with holes and duct tape over the large bucket or kiddy pool.

Directions:
- Inform the audience that the bucket (with holes and duct tape) is the local economy.
- Next, ask the audience what kind of work they do in the community to make money. If necessary, define the community area, which should be the area that the local currency will serve/is serving.
- As the audience responds, pour a little water into the economy bucket for his response.
- Once the bucket is full, ask the audience what inputs they use for their businesses and/or where they spend the money they earn. Asking them to specify location.
- Listen to the community responses. If a response is:
  o Within the community, take a stick and stir the economy bucket. Explain that when a local business or resident spends money within the community, the money continues to circulate within the economy, spreading the wealth.
  o Outside of the community, pull off one of the pieces of duct tape. Explain that when money is spent outside of the community, it leaves the local economy, decreasing the overall amount of wealth within the community.
- After this has gone on for a while, discuss the implications of the game. How can the community increase the flow of money into the community? How can the community decrease the loss of money from the community? During this discussion, explain that the local currency aims to decrease the loss of money by keeping as much exchange as possible within the community.

Version 2:
Version 2 is a more interactive game that teaches players about cooperation. It requires at least 9 participants.
Time: 20-45 minutes
Props:
- Three buckets with holes. In this case, garden pots will not necessarily work. Take three buckets and make three or four holes either 1 or 2 inches in diameter in the side of the buckets.
- Nine pieces of hose, either 1 or 2 inches in diameter (matching the holes in the bucket)
- Three small containers
- Large bucket full of water.

Directions:
- Split the participants into groups of three. If there are more than nine people, ask for participants and have the rest be audience members.
- Explain to the teams that the goal is to fill their buckets with water. Explain that they can only get water from the large bucket and that they can do anything to attempt to fill the bucket. Do not let them know that they are competing against each other.
- After about 5 minutes, stop the game. Explain that the bucket represents the group’s economy. Begin a discussion with the participants and audience.
  - What activities help them fill the bucket?
  - What do the holes represent?
  - How can the holes be plugged?
- Next ask the players to take the pieces of hose and connect their buckets.
- Now, ask the players to try and fill their buckets.
- After another 5 minutes, stop the game. Explain that the connected buckets represent the community’s economy. Begin a discussion with the participants and audience.
  - What was different this round?
  - Did the groups do better or worse?
  - How can what we learned from this exercise be applied to our community?
  - Where do you see our local currency fitting into this exercise? (Facilitator’s note: The hose that connects the buckets can be seen as a local currency connecting the residents of a local economy.)

Community Mapping

Purpose: There are many techniques and purposes for community mapping, ranging from in-depth research projects to small group activities that aim to educate a community. The exercise described below is a group activity that can be performed during a public event (the event does not have to be related to the currency). The goal of this activity is to examine the current and historic economic conditions of an area. Note: this activity is more feasible for rural areas or a smaller segment of a large city.

Time: 45 min - 1hr
Props:
- Large blank sheet of paper posted to a wall
- Markers

20 This game was adapted from American Friends Service Committee, 2001, pg. 22
A Guide to Local Currency Development

Instructions:
- First, explain to the participants what you are going to map. Define the area of the community as the area that the currency will serve or is serving.
- Ask the participants to pick a time frame for the map. Pick a time frame that is relevant to the length of time the participants have spent in the community.
- Ask the participants to draw a map of the community.
- Ask the participants to take one color marker and draw the businesses that were in the community x years ago (if the community choose to map 10 years, then ask them to draw the businesses that were there 10 years ago. If the community choose to map 5 years, then ask them to draw the businesses that were there 5 years ago.)
- Next, ask the participants which of those businesses are still there?
- For the businesses that are no longer there, ask the participants which of the businesses that left have been replaced? Have the participants change the map accordingly.
- Now, ask the participants to draw any new businesses.
- Ask the participants if the map looks like an accurate depiction of the businesses in the community or if anything is missing.
- Once the participants are happy with the map, begin discussion.
  - How has the community changed over the past x years?
  - Is the economy stronger or weaker now?
  - How have the changes affected the community?
  - Why did the changes occur?
  - Why did the businesses that left go out of business?

Education and Outreach Tools

Name Contest
Purpose: After a community (or a group within a community) has decided to start a local currency, a name contest is a great way to get the community excited about the currency before it goes into circulation (or, for mutual credit systems, is open to use). It creates buy-in since the community gets to be involved in part of the decision making process.

A name contest also provides an opportunity for the planning committee to gain a sense of how the community feels about the currency. When we held our name contest for Mountain Money, two name submissions, “funny money” and “tradeough playdough” showed us that not all residents were taking the currency seriously. A few other name submissions were based on one town in the county (not the town the county is named after), which showed us that some people thought the currency was only for their town. This was a great learning opportunity for our planning community because it showed us issues that needed addressing through our other outreach and education efforts.

Directions:
There are many ways to conduct a name contest. The most feasible way depends on the structure of your community. For our rural community, we had submission boxes in the three credit union branches, a few local businesses, and at tables at local events. After the submission deadline, the currency committee choose our three favorites. This gave us some control over the
appropriateness of the name and simplified the final voting process. Our three favorites were then put to the community to vote. For this vote we used the same submission boxes and also visited school classrooms, which gave us an additional opportunity to teach the school children about the currency.

For more populated areas, other ideas for gaining name submissions include:
- Have canvassers on the streets asking people to vote.
- Ask a business located on a populated street if you can have a table outside their storefront educating people about the currency and asking them to vote.
- If you have an active website, post a poll to gain additional input (this is only recommended if your publicity has remained local and not national or global, as you only want local input).
- Email a link to the poll to local business associations and chamber of commerce email lists.

Be sure to educate your community about names that they might not understand. One of our favorite names was “Blue Earth Dollars.” Without understanding that Saguache (the county our currency is for) means “blue earth” or “water at blue earth” in the Ute language, one would probably find that name a bit odd. We overlooked the fact that not everyone would know this and later speculated that maybe people did not vote for it because they did not know its significance.

Design Contest
Purpose: A design contest is a great way to involve the artist community, advertise local artists, and get local artwork for your currency. The contest can either be for the design of the currency (if using paper scrip) or a logo for the currency.

Directions:
A design contest can either be launched in correlation with an event or through flyers and media (see below for more information on where to advertise your design contest). When launching a design contest, it is important to provide ample time, at least one month, for the community to create and submit designs.

When advertising a design contest it is important to include the following details:
- Deadline for design submissions
- Designs specifications and guidelines, which may include:
  o Currency or logo size
  o Number of colors allowed or black and white only
  o Any criteria for what the design should/should not include
  o If a scrip currency:
    ▪ Should there be space for serial numbers?
    ▪ Should the design be one or two sided?
- Specify that the artwork should be original images only
- Format to submit artwork
- Where/who design should be submitted to
- Will there be a prize?
You may want to reward the winning artist for their work as a way of giving thanks, as well as a motivator to receive designs. Not all currencies will have the resources to give cash rewards. Mountain Money’s gift to our artists was a bill, front and back, framed in a locally made wood picture frame.

Places to advertise:
- Local newspapers
- Put up flyers and posters around town
- Send emails with flyers to local artist organizations
- Get schools involved! Present in classrooms about the currency or ask teachers to educate their students about the currency and have them participate in the design contest

Tables or booths at local events

Purpose: Having a table or booth at a local event is a great way to share information with a large group of people. Besides staffing the table, organizing a table is not that much work. Often, events will give non-profits booths for free and, typically, a booth comes with a free admittance for two or three people.

Directions:
Events:
- Music events
- Sustainability or eco fairs and festivals
- Farmers Markets
- Any local event

What to bring:
- Portable Table
- Folding chairs
- Banner or large sign with currency name
- Rocks (to prevent papers from flying away)
- Informational flyers (may include: Information about the currency, FAQ, What is money? flyers, information about sponsoring non-profits)
- Educational games
- Sign-up sheet for mailing list
- Pens
- Cash box if selling currency or memberships
  - If selling currency make sure to have enough change

If utilizing volunteers who are less familiar with the currency project, make sure to educate them before the event so that they are prepared to interact with table visitors. Provide them with copies of educational materials to read before the event. Make sure volunteers know when more knowledgeable staff will be at the table so that they can direct people with questions they are unable to answer to either come back during those times or contact committee members by email.

21 (Ewald, n.d.)
Media
It is really important to keep reminding people about the currency, before it launches, when it launches, and throughout the whole time it is in circulation. The more people see the currency, read about the currency, and think about the currency, the more it stops being strange and starts becoming part of their everyday life.

Newspaper:
Having articles about the currency in a variety of newspapers helps the community learn about the currency. Write press releases for local papers. Ask respected local columnists to write about the currency (See Appendix C for an example). Also, try to get national media; it’s surprising how local community members can miss all of the local advertising, but become interested when there is national hype.

Radio:
- Arrange for interviews on local radio shows
- Public Service Announcements (PSA)
  PSAs are a great way to spread the word about an event or to share a short amount of information about the currency. Check your local radio stations website for information on submitting PSAs. Often, radio stations include guidelines on how to submit PSAs and tips on how to write them. Typically, it takes a few weeks before they make it on the air; so if you are advertising an event, make sure to send your information in early. Be sure to keep your PSAs short, catchy and to the point.
- Radio shows: The BerkShares has a monthly radio show, Local Biz, which is hosted by two BerkShares board members. During the show, local business owners discuss their participation in the project and how they use their BerkShares (Anonymous, personal communication, Feb. 10, 2010).

Launch Party
A launch party is a great way to introduce a new currency. The party can be a stand-alone event or it can occur in correlation with another event. Tagging on to another event is a great way to minimize planning. If tagging on to a preexisting event, you have a guaranteed crowd.

Possible activities:
- Distribute currency: A launch event can provide the first opportunity to obtain and use a currency. Depending on the format of your currency, the means in which this will be done will vary. If using scrip tradable for the national currency, you can provide the first opportunity to exchange national currency for your local currency. If using a fiat scrip, you can provide an opportunity for people to join the currency, list their goods and services, and obtain their disbursement of the currency. If using a mutual credit system, the event can be an opportunity to educate the community about the workings of the system and provide an opportunity for networking and exchange.
- Buy-local market: A market provides the opportunity to showcase businesses that will be accepting the currency. It also gives the public a chance to start using the currency. It is a great way for businesses to advertise and an opportunity for small vendors to sell their
wares. Involve service providers by encouraging them to sell gift certificates or display posters or flyers advertising their services.

- Speakers: Having speakers talk about the currency is a great way to gain public acceptance and draw a crowd. Are there speakers who would be interested in introducing the currency? Or discussing its potential impact on the community? Are there local government officials, community leaders, or well-known environmental activists who would be interested in sharing their insight on the currency?

- Games: Depending on the anticipated crowd, you may want to facilitate some of the educational games detailed on pages 46-49.

- Food: Do you have a budget to purchase food? Are there local businesses that would donate food as a way of sponsoring the event? If not, you can always have a potluck!

Directions:

- Make sure to start planning months in advance. You need to ensure that you have enough time to get the word out and plan a stellar event! If you are tagging onto a preexisting event, planning will take less time overall, but you still need to start early.
- If working with a preexisting event, make sure the launch has enough presence within the event. You want more than a booth. Can you arrange to have speakers during the event? How about a local goods market?
- Decide when and how long the event will be? Will it be a half or full day event? Will it take place at night? When picking the day and time of your event, make sure there are no conflicting events or activities happening at the same time.
- Once you have an idea of potential date and time for your event, find and book a venue. Is there a community center or public space that you can hold the event at for low or no cost? Do you have the budget to pay for a venue? Is there a venue that wants to donate space and sponsor the event? Make sure to pick a space that has enough room for the crowd you are expecting, but is not too large to make the event look deserted if not as many people as you expect show up.
- Book any entertainment and vendors well in advance and confirm closer to the event date.
- Plan for volunteers. You may need help with: setup, clean-up, sound and video, vendor check-in, entertainment organizing, currency booth, and more.
- Speakers: Book in advance and confirm the week before.
- Food: If hosting a potluck, make sure to advertise it on all publicity for the event. Have people affiliated with the event bring larger dishes to ensure that there is enough food.
Also decide whether you are going to ask people to bring their own plates and utensils. If not, you need to supply them. How can you lower the ecological footprint of the event? Is there some place that you could borrow plates or cutlery? If you are using reusable plates, consider having a washing area for people to wash their own dishes.

Setting up a dishwashing station:
Place a sturdy table in the corner of the room (or in another room). Before the meal, set three large tubs of water on the table. The first tub should contain soapy water and a sponge. The second tub should contain water. The third tub should contain water and 1 tablespoon of bleach per gallon of water. Place signs near each tub: wash, rinse, and sanitize, respectively. Have a drying rack next to the rinse tub (Oneida County, n.d.). Make sure to have a volunteer regularly pick up clean dishes to avoid an overloaded drying rack.

Potlucks
For Mutual Credit currencies, which are built on trust and personal relationships, social gatherings like potlucks are key (Anonymous, personal communication, Oct. 22, 2008). Potlucks create a low-cost, low-maintenance, low-risk opportunity for members to get to know each other and learn about the goods and services available. They also provide an opportunity to introduce new members to the currency by holding an informational session before the meal.

Directions:
- Find and reserve a location. Is there a community space you can utilize? Is there a location that you can meet at regularly? Maybe once a month?
- Advertise the event. Be sure to include information on:
  - Location
  - Time
  - Make sure you state that the event is a potluck so that people know to bring a dish!
  - Should people bring their own plate and cutlery?
  - Is there a theme? Themes, such as local foods, finger foods, childhood favorites, add variety to a regularly occurring event.
- Before the event starts, make sure the location has a large table for the potluck dishes. Also ensure that there are enough chairs and possibly tables for people to sit at.

Directory of participating businesses
A directory of participating businesses is really important for letting people know what businesses are participating, as well as to remind people where they can spend the local currency. It can take the form of brochures, wallet-sized directories, or a simple printed list. Have the directories available at all local currency exchange locations and participating local businesses, and on the currency website (Anonymous, personal communication, Feb. 10, 2010).

Users guides can be printed in correlation with participating business directories. Users guides should include the following information: introduction to the currency, where can I get the currency?, where can I use the currency?, FAQ about the currency. Have users guides available at all currency exchange locations and at participating local businesses.
Songs
Songs are a great educational tool (Olds, 2004). They are a fun way to spread the word and educate people about a currency. The CEO of the Saguache County Credit Union wrote a song about Mountain Money that was performed with a local band, The Seat of the Pants Philharmonic, at the Mountain Money launch. The Soothsayers, an Afro dub group from the UK, wrote a song about the Brixton pound, entitled “The Brixton Pound” as an homage to the currency (Jackson, 2009).

Buzz Marketing
Buzz marketing, or word of mouth marketing, refers to creating hype around a product or service. Businesses use it all of the time, often moving beyond typical word of mouth to giving people free products to use them and talk them up around their friends (CBS, 2010).

For a currency, using buzz marketing would entail having volunteers, who would not necessarily be considered affiliated with the currency project, talk up the currency in their community. Be obvious when you are using Mountain Money. Talk about it to the people in line behind you. Loudly ask your favorite businesses if they’ll accept, so that other customers become curious.

Seminars for businesses
In a large community, it may be impractical to meet with every business owner individually. Holding seminars for businesses is a great way to educate multiple businesses about the currency and answer any questions they may have.

Hold regular informational meetings
Informational meetings are a great way to introduce new members to a mutual credit system. Some mutual credit currencies require new members to attend an info session before they can start trading (Anonymous, personal communication, Oct. 15, 2010). This ensures that everyone involved in the currency understands how the currency works and what is expected of them as a member (for example, in a mutual credit system there is an understanding that members will aim to keep their balance at or around zero).

Presentations in schools
When educating about a local currency it is important to educate not only adults, but also children. Talk to school administrators and teachers about giving presentations to their classes about the currency. Use educational games when working with students to make the presentation interactive and lively. Teach the students about the economic benefits of the currency, how it relates to them, and how they can participate.

Film Showings
Screen movies about local currencies and/or problems with the current monetary system. Make sure to have a balance of positive and negative messages. For example, if you choose a film that focuses on the problems of the current monetary system, make sure to include a talk afterwards about solutions (including your currency). If choosing a film that discusses local currencies, make sure to show a film that includes your currency format. If the film does not mention your currency format, viewers will probably be left confused or wondering why you chose the currency format you did.
Posters and Flyers

Have posters and flyers up around town to remind people about the currency, advertise participating businesses and events. Posters are more expensive and last a long time; use them to advertise information that will not change. Use flyers to advertise events and meetings.

When creating a poster or flyer, remember to:
- Keep it simple
- Use colorful images or colored paper
- Make sure you can read the text from a distance
- Always include organization and contact info

Notes
- Make sure you cater your language choice to your audience.
- When advertising pictures of a scrip currency, make sure to include the text “sample” or “specimen” written across the image to deter counterfeiting.

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22 (Rainforest Action Network, n.d.)
Works Cited


A Guide to Local Currency Development


A Guide to Local Currency Development


A Guide to Local Currency Development


Appendix
Mountain Money
Business Information Packet

ScSEED, c/o Alison Rosenblatt, PO Box 102, Villa Grove, CO 81155
(719) 256-6000 (ext. 103), ali@scseed.org, www.scseed.org
A Guide to Local Currency Development

About Mountain Money

What is Mountain Money?

Mountain Money is Saguache County’s local currency. It is a means of exchange that is only accepted at participating businesses throughout Saguache County. It aims to increase the local flow of goods and services, keeping money within the community and strengthening our local economy. By promoting the consumption of local goods, Mountain Money will help our local businesses thrive.

Mountain Money is tradable for the US Dollar (USD) at a five percent discount. This means that for 95 cents, you can get one dollar of Mountain Money (MoMo). MoMo will be worth the same as the USD at participating businesses. Businesses will only incur the five percent discount expense if they trade the MoMo they receive in for USD. If businesses circulate the MoMo they receive, they will retain the full dollar value of the currency.

Why Should I accept Mountain Money?

Mountain Money helps support our community by strengthening our local economy. As a business owner, accepting MoMo will help advertise your business to local residents and show off your community engagement. In addition, spending your MoMo locally can help you create relationships with other local businesses.

How does Mountain Money support our community?

Money spent at a local business generates at least three times more local spending than money spent at a chain store. This is because local businesses typically employ local people and are more likely to support other local businesses. In contrast, chain stores send a large portion of their income to their headquarters to pay for accounting, advertising, and other national (or international) operations.

If we use Mountain Money for local transactions, we create an added incentive for the money to re-circulate locally. This helps us create economic resiliency because the more we support our local businesses, the stronger they become and the more impact they are able to have on our local economy.

Is Mountain Money Legal?

Yes. Mountain Money is not intended to replace the US Dollar. Instead, it aims to complement the US Dollar by increasing circulation within the County. The US government allows for the printing of scrip (or paper exchange notes) as long as it has a US dollar equivalent, is valued at $1 or more, and does not resemble USD.
Accepting Mountain Money

How much to accept

The amount of Mountain Money accepted will vary from business to business. We encourage you to develop an acceptance policy for your business based on how much MoMo you are able to integrate into your daily transactions.

Some businesses will accept 100% MoMo. Others will accept up to 10 or 20 MoMo per purchase and require the rest in US Dollars. Other businesses may accept a certain percentage of each sale in MoMo. The decision is up to you. Some questions to help you figure out how much to accept are:

- How much money are you currently spending locally?
- Are there goods or services that you are currently getting from out of County that you may be able to get locally?
  - Could you get these goods or services at a comparable rate?
- Are your employees willing to accept part of their salary in local currency?  
- Are you willing to accept part of your revenue/profit in local currency?
- Are you able to afford giving a 5% discount on purchases made with the local currency as a means of promoting your store? Is there a limit to the amount of discount you can give a month?

It may take some work to figure out the right amount of MoMo to accept. If you would like help with this process, please don’t hesitate to contact us. We are here and ready to help!

Advertising

An added benefit of accepting Mountain Money is that it serves as a means of advertising locally. We will provide all participating businesses with "We proudly accept Mountain Money" signs for their storefronts. Participating businesses will be listed on our website and included in a quarterly updated list of participating businesses that will be available at all of the Mountain Money exchange banks. This will not only advertise your business to local residents, but also to tourists who may want to visit your store for the experience of being able to use MoMo.

Educating your staff

Once you start accepting MoMo, it is important that your staff not only know how to deal with it, but also what it is and why you are accepting it.

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23 Remember, if you are paying staff in local currency, federal law requires that you must first pay at least minimum wage in USD.
In order to help you get started, we are offering staff trainings. These trainings will include an introduction to Mountain Money as well as information on accepting and accounting for it (according to your recordkeeping needs).

**Taxation**

It is important to note that Mountain Money is taxable. Mountain Money you receive should be included in your income and taxed accordingly. See Accounting on page 5 for more information.

**Transactions with Mountain Money**

Following are some suggestions for working with MOMO:

**At the register**

- Ask customers who pay in USD if they would like their change in Mountain Money. This not only encourages the use of MoMo, but also helps you circulate the MoMo you receive at dollar value.
  - Remember that any MoMo you purchase directly from the credit union comes to you with a five percent discount.
- We recommend keeping all of your MoMo in one cash slot for ease of transactions.

**Paying for expenses with MoMo**

**Staff:** Tax law states that you must pay at least minimum wage in USD. Any wage over that can legally be paid in Mountain Money by agreement with your employee(s).

**Vendors:** Ask your local suppliers if they would be willing to accept partial or full payments in Mountain Money. To find out about local businesses that already accept Mountain Money, visit the currency website (at www.scseed.org) for a regularly updated list or visit any of the Mountain Money exchange banks for a copy.
Accounting for Mountain Money

Setting up your books

- Create an asset account called "Mountain Money." This account will be where you record the amount of MoMo you have on hand.
- Create an expense account called "Mountain Money discount." This account will be where you record the five percent discount.
- Create a "Paid in MoMo" envelope or folder for receipts. This will be similar to your petty cash envelope. It will help you account for purchases paid in MoMo rather than by USD, check or credit card.

Recording transactions

Purchasing Mountain Money
When you go to the Credit Union to purchase MoMo:
- Credit your cash (or checking or savings) account the amount of US Dollars you use to purchase your MoMo with.
- Debit your MoMo account the amount of MoMo received.
- Credit your MoMo discount account the 5% that you received.

For example:
If you purchase 100 MoMo for $95 you would
  Credit Cash $95
  Debit MoMo $100
  Credit MoMo discount $5

Trading MoMo for USD
When you go to the Credit Union to exchange your MoMo for USD:
- Credit your MoMo account the amount of MoMo you are exchanging.
- Debit your MoMo discount account the 5% you are expensing.
- Debit your cash (or checking or savings) account the amount of cash you received.

For example:
If you are exchanging 100 MoMo for USD you would:
  Credit MoMo $100
  Debit MoMo discount $5
  Debit Cash $95

Sales Tax

Sales tax should be calculated as usual, as a percent of the total sale. You can accept it in either MoMo or USD, but you must pay it in USD.

Thank you for your interest in MoMo! We look forward to working with you!
Dear Saguache County Business Owner,

I am writing to introduce you to Mountain Money (MoMo), Saguache County’s forthcoming local currency. Mountain Money will be a means of exchange that will only be accepted at participating businesses within Saguache County. It aims to strengthen the local economy by keeping trade and “money” local.

Mountain Money will be tradable at participating local businesses at a one to one exchange rate with the US dollar. It will be available to purchase at a 5% discount at any one of the Saguache County Credit Union locations (Center, Crestone, and Moffat), providing incentive for County residents to use Mountain Money for their local shopping. If your business chooses to spend the MoMo you receive locally, you will incur no discount expense. If you exchange USD for MoMo to give customers change in MoMo, you will be earning back that 5%. You will only incur a 5% discount “expense” if you trade in MoMo for USD at the Credit Union. For details on how our local currency can benefit your business, please see below for obtaining the Information Packet we have available for you.

Mountain Money will be launched on January 31, 2010 in conjunction with the annual Ranching Celebration at the Saguache Community Center. A local goods market will be included at this fun event to introduce our new MoMo. Participating businesses can receive a free booth at the local goods market to sell merchandise and to showcase the goods and services that will be available for purchase with Mountain Money at your place of business.

To sign up to accept Mountain Money, register for a booth at the market, or to learn more about the project, you can contact me at ali@scseed.org or 719.256.6000 (ext. 103). Information packets are available at the Credit Union, for download at the ScSEED website, or by delivery to your business upon request.

I look forward to working with you and answering any questions you may have about this exciting, local economic project.

In community,

Alison Rosenblatt
Local Currency Coordinator
719.256.6000 (ext. 103)
ali@scseed.org
Dear MM,
What the hell is this MoMo stuff I have been hearing about? The buzz around here is that this is some kind of funny money. So, what's it worth? Where can I get it? Where can I spend it? What's your take on it Great Madam Guru?? I am wondering if it will make a difference in our local economy?

Will from Crestone

Dear Wondering Will,

This MoMo stuff you've been hearing about is Mountain Money, commonly referred to as MoMo. Mountain Money is not some kind of funny money, but a real paper currency. The only thing slightly unusual about MoMo is that it can only be spent in Saguache County.

You see, while you can obtain one MoMo for 95 cents, it's worth one dollar at participating local businesses. This means that every time you use a MoMo towards a purchase, you get to keep an extra 5 cents in your pocket!

You can purchase Mountain Money at any of the three Saguache County Credit Union branches (Center, Crestone, and Moffat) and I've heard rumors that there may be a location in Saguache soon as well. You can also ask to receive Mountain Money for change at participating local businesses.

Now I know you're wondering, where can I spend MoMo?? You can spend MoMo at any Saguache County business that is willing to accept it. So far, there are over 20 businesses, providing a wide range of goods and services. You can enjoy a meal at the Villa Grove Trade or the upcoming Fourth Street Diner, buy groceries at Curt's, Skeff's Food Center, or the Sangre de Cristo Trading Post. You can purchase clothes at Martha's Fashions, pottery at Always Azul, spirits at Center Liquor, or snow removal and excavating from Star Mountain Excavating and Snow Removal. And, these are only the businesses that I can think of off the top of my head. There are many more and more to come. Ask your favorite neighborhood business if they will accept it!

After looking in my crystal ball, I see a great future for Saguache County and Mountain Money! What you need to understand is that in these tough economic times, supporting local businesses is one of the best things that we can do. When we shop at local businesses, we help our neighbors. And that money doesn't just sit in your neighborhood business owner's pocket; the money continues to circulate. The money goes to local suppliers and local staff. The more support our local businesses get, the more they can grow: spreading more wealth to other local businesses and creating more local employment.

If your looking for my humble opinion, I suggest you get yourself to a Credit Union branch, get some MoMo and start spending!