

# CCMAGAZINE

February 2011

Community Currency Magazine

**Focus on Central  
and South America**

**Bernard Lietaer:  
THE BIG PICTURE**

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## A word from the editor

For me the big news of January was that the Irish bank is now printing Euros without collateral, and without debt. Some commentators are calling it counterfeiting, albeit with a nod from the European central bank. With that and the continued failure of the dollar, it seems to me more than ever that a monetary catastrophe is in plain sight.

The future of the mag is still uncertain. The more stories you give us, the more we shall want to share them. This is all voluntary effort and your participation is invited.

And don't forget what the magazine is for - PRINT IT OUT!

Many people don't even know that complementary currencies exist. Leave it in your Community centre, or school; take it to your Transition Towns group or give it to half-interested colleagues. Then please show your appreciation by linking to us, writing to us, (we could have a letters page) or better still, contributing a story.

# Can "Complementary" Currencies Save Us From the Next Crash?

If currencies worked according to free market principles, they might be much more stable and useful, opines

**Caroline Rothstein**

In the wake of a global meltdown that exposed the fragility of our financial system, it's understandable that many people are suspicious of the stability of our centralized monetary systems.

"We have had 97 major banking crashes over the last 25 years, and we have 178 monetary crashes over that same time period," says currency expert Bernard Lietaer.

The Swiss Wirtschaftsring (Wir), says Lietaer, was established in 1934 and is used by 75,000 businesses in Switzerland alongside the Swiss franc. It has played a crucial role in stabilizing Switzerland's economy: "When you have a recession, there are not enough Swiss francs around to buy things. The number of participants and the volume of transaction in Wir increases, spontaneously, because that's what's available. People don't have to have a credit line with the banks in order to purchase things."

So, why haven't other countries taken a hint from the Swiss? New York University media studies professor Douglas Rushkoff attributes dearth of open source currency to "centuries and centuries of programming." Our current system of centralized monetary instruments, explains Rushkoff, dates back to the Middle Ages, when peer-to-peer economies flourished. As local currencies thrived, so did the middle class - threatening Europe's aristocracy. Financial experts, hired by the rich to halt the threat, suggested that local currency be outlawed and

replaced with a single form of money dubbed "coin of the realm."

"That's the system that ended up getting passed down to us today," says Rushkoff. "It's part of a six or seven hundred year push for centralization of power." Now, he says, the emergence and prominence of the Internet can allow us to return to peer-to-

**"We have had 97 major banking crashes over the last 25 years, and we have 178 monetary crashes over that same time period," says currency expert Bernard Lietaer.**

peer exchanges. "People are starting to realize they can sell things to people through the 'net—they don't have to work for a company to make money."

But both Rushkoff and Lietaer admit that governments are not keen on the idea that citizens issue their own coin. "I have never met anybody who has the privilege of monopoly who is okay to lose it," says Lietaer.

Says Rushkoff, "This is not an area that you play around with lightly. This is beyond organized crime. This is what people fight wars and stuff over. This is really big. So if in the States, for example, people started to use an organized currency—if it came into real use, beyond the local and hip way it

happens in Portland or Ithaca, where hip people are using it for their coffee and pot—if it became robust enough that real people felt good about using it, they would shut it down in a minute. And that's when you'd have to have a real struggle. That's when you'd have to look constitutionally: are we allowed to transact? As far as I'm concerned, as long as people are paying taxes on the cash equivalent, then the government really can't complain."

However, Rushkoff says that he doesn't know of anyone adamantly and publicly against complementary currency, rather, "most bankers and economists just laugh at it." But perhaps they should start paying attention.

Rushkoff says ultimately these types of alternate currencies are an extension of free market capitalism: "If you're really going to be a free market capitalist, then you have to have free markets. Just as companies are allowed to compete with each other for providing goods and services, the only way you're going to have great currencies is if the currencies are allowed to compete with one another within one country, so that you can have different tools for different jobs."

<http://bigthink.com/ideas/24857>

In this series of interviews with the movement's pioneers, we take a big picture look at challenges and opportunities in the complementary currency movement. In this first interview, Bernard Lietaer offers his perspective about what questions we should be asking and what issues we should be addressing in order to build momentum as a movement and gain greater credibility

# Bernard Lietaer:

## A big picture look at challenges and opportunities in the complementary currency movement

**What are the questions you would most want to explore with fellow movers and shakers in the complementary currency movement?**

History has shown that significant systemic changes in the monetary system occur only after the previous system has crashed or collapsed. What would be the most effective way to position the movement so that it can take advantage of the instabilities that are currently occurring? How do we prevent the automatic return to the old monopolistic system... which is what has happened following hundreds of crashes for the past 300 years?

Most complementary currency systems (such as LETS and Time Dollars) are by nature destined to remain small scale. Yet, we are going to need solutions on an enormous scale. How do we assess which currencies are best kept on a small scale but multiplied in numbers (e.g. 1000 systems of 500 people), and which models can be expanded in scope so that they can be directly applied on a very large scale, if needed? Which criteria should be used in making that assessment about the best approach to scaling?

How do we more effectively engage with the political arena? If you include government officials in a project, you run the risk that a future change of government could negatively impact the initiative under way. If you do not include them, you lose the potential support of a key stakeholder. What is the best way to navigate this territory? What questions should we ask policy makers to draw their attention to both blind spots and untapped opportunities in the monetary domain?

**What recent developments in the field do you find most exciting?**

One very exciting development is the C3 (Commercial Credit

Circuit) which provides working capital to small and medium-size businesses. These businesses represent more than 90% of all private jobs in most areas, so solving working capital shortages has very positive implications for reducing unemployment. The C3 was developed by STRO over the last 10 years, and it is a brilliant design.

Currently, I feel that the most exciting developments are actually taking place in Latin America. The Central Bank of Brazil's endorsement of social purpose currencies as a legitimate and effective tool that does not disturb conventional policy is a

significant breakthrough. In that same country, the



## Big Picture Interview

multiplication of the Banco di Palma experiment is a practical and positive sign that progress is under way. Uruguay is now the first country to accept a complementary currency in payment of all taxes and fees, which will make the C3 currency available to everyone in the country. A similar but less known example of this positive development can be seen in Vorarlberg, a region of Austria where local complementary currencies are also accepted for local taxes. This will greatly help mainstream the use of such currencies.

### **And what do you see as key challenges, obstacles or blind spots which hinder the movement's success?**

There are thousands of currency experiments under way but very little quality data is being gathered and made available for academics to study the results and thereby provide legitimacy for mainstream implementation. Most people develop currencies for social purposes without bothering to gather the data, and a number of other factors can also interfere with data analysis. For example, the loss of support for complementary currencies in Japan due to a change of government may result in lack of access to critical information about useful currency experiments that have not yet been documented publicly. There are indeed 40 different types of eco-money projects in Japan from which we could learn a great deal.

The unavailability of data slows down our ability to gain credibility over time. We need to ask ourselves what we can do about that. I believe that we should create a neutral electronic repository of transaction and result data from different experiments, and make them publicly available on the net for researchers and academics to use. Some parts of the field of micro-finance have followed such an approach with success.

Another great challenge we face is that too few people in the movement are explicitly recognizing and addressing the need for a diversified family of complementary currencies. The reason is that many designers and practitioners are focused on

one type of complementary currency only. Although this specialization has served the growth and dissemination of each of these currencies, it can also create a tendency to relate to other types of currencies through a competitive rather than a complementary lens. Until we start taking a better look at how our respective pieces serve a larger puzzle, we don't have the scale of demonstration that would actually be convincing to everybody.

This said, the fragmentation of the movement is also paradoxically one of its strengths. This movement could not be stopped by chopping off a couple of heads. It has no visible or official leader, and this may be its best protection against those who are invested in the status quo.

### **Where do you see untapped resources and unmet needs within the field of complementary currencies? And do you have any suggestions about how to bridge them?**

Well, ironically, it is conventional money which is critically missing to support many initiatives. There is a huge potential for Ph.D and Master level research of complementary currencies but the challenges are finding appropriate academics to supervise work in that area, and securing the funding for such research.

### **Besides financial support, what would help the acceleration of the monetary shifts that are needed?**

My sad answer to this question is "more pain". The Dutch have 4.5% unemployment while the Spanish have 30%. Consequently, the Dutch don't feel there is a need to do anything about the current situation. The Spanish, on the other hand, are begging for something to be done. The problem is actually the same in both places, but it's a question of timing and scale.

It is becoming increasingly clear that the next stage in the break down of the financial system is the privatization of government-owned assets. The inventory in the US is 9.1 trillion dollars. That includes everything owned by the federal

government, such as roads, tunnels, recreation facilities, universities, and buildings. The drive to privatization comes from political and social pain. When the potholes in the roads are big enough, and the government is unable to pay for their repair, they will then sell the highways at a fraction of their cost. Ironically, these desperate strategies will be producing more pain, and that will make people more interested in finding genuine solutions. I would personally much prefer to get to these new solutions without the pain.

In the meantime, conferences and gatherings such as the upcoming conference in Lyon are really helpful in fostering a better understanding of our respective pieces of the larger puzzle. The Community Currency Magazine and IJCR both provide very valuable platforms for cross-fertilization of ideas and experiments.

### **What could bring about a tipping point in the shift from a monopoly of bank debt money toward a monetary ecology? And is the idea of a "tipping point" the best way of thinking about that change?**

The most likely candidate for a tipping point scenario would be a dollar crash, because that would force everyone worldwide to rethink the existing system. We are now looking at a possible end game. We are running out of possible ways to return to business as usual in the aftermath of such a crash. The financial sector can no longer hope that the government will be able to step in again because even by the financial sector's own criteria, governments are no longer creditworthy. In the 1930s, the government learned that it could not allow the banking system to sink because it brought the whole economy down with it. What our governments are painfully learning now is that they literally cannot afford to save the banking system again.

### **People in the sustainability movement seem to be divided between those who feel we need to organize ourselves more efficiently (the way the right has done in the united states), and those who suggest we need to trust that our diversity is**

## Big Picture Interview

**organizing us (or rather leading us to self-organize) in more resilient ways. Where do you stand on this question?**

I do believe that if the movement was seriously funded, it would professionalize the field. This is basically how the right wing folks have transformed America. 5 billionaires have created a major shift toward the right over the last 25 years in America and in the world. They created new think tanks, career paths, lobbying mechanisms, medias etc. It took a bit of time but they have shifted the paradigm...albeit in the wrong direction. They are walking toward a cul de sac, but they have done it nevertheless, and privately. They have shifted the entire system, successfully, SO They have proven it can be done on a large scale.

This said, I have personally come to the point where I hope that we are being coordinated by some larger force, some wider wisdom guiding us all. Well, I really hope that we are being guided (he smiles), and that a shift is trying to happen! Humanity urgently needs a different way forward. A growing number of people are aware of that. There will come a time when mainstream people finally throw in the towel and open up to new solutions. People are aware that the system is badly sick but feel that there are no alternatives yet. This is why the collection data to demonstrate the effects of different experiments is so important.

The best “strategy” to support this evolution is probably not based on the model of a military campaign or the introduction of the euro where you try to plan for every step of the way. That strategy was necessary then for that particular shift, but it is not what is needed now to support this new type of shift. What we need to do now is try to encourage diversity, rather than promote one model. And we need to experiment so we can discover what best supports efficiency and resilience at the level of the whole.

**A lot of valuable community-building initiatives in this movement (including the publication of this magazine) are done by dedicated people, as a labor of**

**love, but would often highly benefit from actual financial support. if you were given \$10,000 to \$50,000 to invest in strengthening the currency movement, how would you invest these funds?**

The way I would allocate funds is informed by my own bias about the key importance of academic research, but I trust that there are many other good answers to this question besides mine, and I look forward to reading about them. Here are three different things I would very much like to see funded, although funding all three would clearly require a larger budget than the one you just allotted me!

I would want to fund:

\* a coordinator to create linkages between the cc movement and the academic world to fast forward effective data collection and analysis of models that will help legitimize the results.

\* scholarships for Ph.D research on complementary currencies. I think we need to dedicate more time to exploring how to create synergy between different types of monetary solutions.

\* a mainstream movie about monetary ecology and about movement-level possibilities.

It would also be really worthwhile for our movement to have a web platform where we could propose and comment on our suggested ‘acupuncture points worth funding. This would be a very helpful resource for funders who are interested in

supporting this movement. With the advent of crowd sourcing solutions, some of the most affordable projects could perhaps even be funded by grassroots philanthropists rather than larger ones. The challenge which our movement faces is that the people with the most financial resources tend to be the ones who have the least incentives to forward the types of monetary changes we are recommending.

**Any final comments?**

Yes, I am really looking forward to reading my friends and colleagues’ answers to these questions. It is clear to me that our greatest strength is in our diversity of perspectives, and we have a lot to learn from our different ways of approaching the types of questions you have just asked me. The next generation of currency designers and practitioners has a lot to offer when it comes to out-of-the-box thinking.

*Tesa Silvestre is a community builder who invites and supports greater receptiveness, connectedness, and synergy amongst innovators and change-makers who are looking for creative solutions to the challenges of our times. She has been following the complementary currency movement for several years, and developed Bernard Lietaer's new website in 2010. She is currently living a nomadic life, and can be contacted at [tesasilvestre@mac.com](mailto:tesasilvestre@mac.com)*

### **Actionables:**

*Address the movement's weaknesses and build on its strengths by:*

- 1. Improving our data collection system to enable better academic analysis of the impact and viability of complementary currency projects*
- 2. Drawing upon our diversity of initiatives and perspectives to support bigger picture thinking and develop larger-scale solutions*
- 3. Gathering the movement's intelligence about leverage point projects and opportunities, and making them more visible to potential funders and supporters.*

# Mexico: Community currencies offer refuge from economic forces

**Túmin, which means "money" in the Totonaca indigenous language, is a community currency now circulating among 80 vendors selling their products at an alternative market in the town of Espinal, in the eastern Mexican state of Veracruz.**

<http://ipsnews.net/news.asp?idnews=53924>

It is equivalent to one Mexican peso, and each vendor was initially given 500 units, which they are using to buy and sell goods and services.

The túmin was launched in November by Juan Castro, a professor at the public Intercultural University of Veracruz, and members of a development research centre and a human rights network in Espinal, 400 km southeast of the Mexican capital.

"We created it to strengthen the local economy, so that people will buy locally and not go outside of their community to spend their money," Castro told IPS. "It's gaining acceptance; more and more people are interested in participating."

The túmin is the latest experiment in Mexico in parallel currency systems, which began to be used at least two decades ago in this Latin American country, although none of them has really taken off.

"We haven't been able to grow as we would like to," said Luís Lópezllera, director of Promotion of Popular Development, a local NGO. "We have run up against mistrust and irresponsibility. It's really hard to get people to believe that credit lies in people, not in the authorities," he told IPS.

Lópezllera was one of the driving forces

behind the Red Tláloc, a network dedicated to the solidarity economy that emerged in 1996, in the wake of the financial crisis that two years earlier had devastated the savings of millions of Mexicans and spread to other

**"It's really hard to get people to believe that credit lies in people, not in the authorities"**

countries in a contagious phenomenon dubbed the "tequila effect". The network created a directory to enable those offering or looking for goods and services to contact each other and do



**Market in Espinal where the túmin community currency is used. (Courtesy of Intercultural University of Veracruz)**

business using the Tláloc currency, which takes its name from the Aztec god of rain and is equivalent to one hour of community work.

The parties involved in the transaction agree on what proportions will be paid for in Tlálocs or Mexican pesos. The hour of community work is valued at four dollars -- the official minimum daily wage in Mexico.

The current downward trend of the euro and the dollar, and the consequent impacts on national currencies, provide an extra

incentive for adopting an alternative local unit of exchange that is independent of the ups and downs of outside currencies.

"These currencies have potential in Mexico," Yves Cabannes, a professor of development planning at University College London, told IPS. "The crisis could foment the use of local currencies, which could also generate access to financial resources, from the local sphere."

Cabannes, a French national, has studied the evolution of community currencies in depth. One emblematic case is that of the Banco Palmas, a community bank founded in 1998 in Conjunto Palmeiras, a "favela" or shanty town of 30,000 people on the outskirts of the city of Fortaleza, in Brazil's impoverished northeast region.

## Case Studies

Banco Palmas started out distributing credit cards in the favela, and now issues palmas, a social currency that is accepted by some 240 businesses.

The bank manages a credit portfolio worth the equivalent of 1.5 million dollars.

Colegio de Tlaxcala, a public university, also warns of the danger that a currency which is a social symbol could be "exposed to becoming part of the same speculative economic logic of the national currency."

"We are small oases trying to educate people to accept a healthy currency," Lópezllera said. "We are trying to spread a

**"People aren't poor because they don't have money, but because they don't spend it in their neighbourhoods"**

A network of some 50 community banks operates in Brazil, and the central bank, the Banco do Brasil, recognises a similar number of alternative currencies.

In Venezuela, meanwhile, community currencies have the backing of the government of Hugo Chávez and are governed and protected by a 2006 law on community banks.

In Mexico, where the peso has weakened against the dollar, community currencies offer an option for shoring up the buying power of consumers, unlike the peso, according to the experts who spoke to IPS.

But they also stress that the potential of alternative currencies has not been exploited in this country. The community currencies created in several Mexican states have not really taken root, and have failed to gain the official recognition of Mexico's central bank.

"The problem is how to create alternative currencies that actually contribute to the generation of wealth by communities, without becoming an instrument of power that awakens greed and prompts the authorities or businesses to seize upon them," says academic Laura Collin.

In her study "Experiencias en torno al dinero alternativo, fortalezas y debilidades" on the strengths and weaknesses of alternative currencies, the professor at the

'positive virus', where real credit exists, unlike in the international system, where no one knows where the money is."

In the Tláloc network, which is limited to the greater Mexico City area, participants register, receive training, and offer products and services, grouped by categories. Every year they organise fairs to bring participants together. The next edition will be held in March.

"Alternative currencies avoid fluctuations or depreciations. In time, they gain credibility. Circulation must be steady and must not be interrupted," said Castro.

The Centre for Intercultural Research for Development and the United for Human Rights Network are also involved in the Tumin community currency initiative.

Cabannes pointed out that for the year 2007, consumption in the Conjunto Palmeiras favela totalled 30 million dollars, in the Banco Palmas project alone. "People aren't poor because they don't have money, but because they don't spend it in their neighbourhoods," he said.



## Case Study

# Honduras - a fair exchange

**Solidarity Exchange Units are designed to ensure that money circulates locally, backed by farmer's produce, and preventing profit and investment being lost to outside markets.**

Digna López Espinal was one of 300,000 farmers who lost their crops in the recent flooding in Honduras, and yet she is optimistic for the future. Although she lost half of the crops due for harvest, as a member of COMAL (The Alternative Community Marketing Network), Espinal is getting help to plant for the next season. It is part of COMAL's purpose to improve farmers' livelihoods.

From small beginnings COMAL has grown into a network of more than 40 smallscale farmers' organisations and the Espinal family is just one of 16,000 families who benefit. As well as helping flood-affected farmers replant, COMAL purchases their produce at a guaranteed price and sells it through a network of over 200 community stores across Honduras. It also helps to develop and market the produce, offers credit and loans to farmers, and has even created its own community-based currency. While the network of community stores purchase and sell these goods, they also offer a lifeline for many. In some COMAL communities the most vulnerable farming families are supported by a social fund financed with money from the community shop.



## Credit where it's due

COMAL's community currency - Solidarity Exchange Units (UDIS) - are designed to ensure that money circulates locally, preventing profit and investment being lost to outside markets. UDIS have the same value as national currency (Lempira) and are used as a form of payment within the community shops. The shops then use it to source products from COMAL, which pays farmers partly in UDIS, which can be used to purchase goods in the community shops. Using UDIS within the network enables COMAL to use Lempira to source goods

**In some COMAL communities the most vulnerable farming families are supported by a social fund financed with money from the community shop.**

from outside the network, and to buy in bulk at lower cost.

UDIS are also used by COMAL when providing farmers with loans to access agricultural inputs and equipment. "We pay 20 per cent interest on a Lempira loan, whereas a UDIS loan is just 15 per cent," says Martinez. "This is much better than the banks, which charge 30 or 40 per cent." The UDIS loan is cheaper because it can only be spent in COMAL's community stores. This guarantees regular customers for the stores and benefits the farmers who supply them. Farmers pay back their loans with UDIS,



Lempira, or by selling their produce to COMAL. The benefit of repaying debts in produce is that their goods can then be sold throughout the network of community shops, guaranteeing a market for farmers after they have invested in production, even if the price of their crops crashes.

The purpose of COMAL, according to Trinidad Sánchez, its director, is to build what he calls "economic solidarity". "COMAL was born out of the idea that we, the poor, can do business and include the practices of moral principles and values," he says. "There is no justice if there isn't food for everyone."

COMAL is also working with similar organisations in Nicaragua, El Salvador and Guatemala, helping to develop a Central America-wide network. Sarah Smith-Pearse, communications officer at CAFOD (Catholic Agency for Overseas Development), which supports COMAL, praises the organisation's progressive attitude: "COMAL gives voice and power to those who are usually at the margins, and stands as a beacon of what is possible when people work together."

# Karol Merits A Currency for Kids Santiago, Chile

The Story of a community currency that emerged within a poor but innovative School after implementing a Local School Government. Funny when you start something without knowing where it may take you. Admirable to trust in your people and give it a go!

In Santiago de Chile at Pedro Aguirre Cerda District an Elementary/Middle School by the name of Karol Cardenal de Cracovia became a Kids Independent Republic in 1997. An idea introduced from previous successful initiatives in Rural Schools from Colombia. School Governments is pure innovation in education, it consists in dreaming inclusively (parents, kids and the school staff) a perfect world and bringing it to life by complementing the educational curriculum with a democracy where kids are the main actors in a School.

The President of Mundo Karol is a 12 year old who shares his responsibility with his parents, the School Director and the School Staff. Along with the President, the yearly election give space to Ministers of Family, Justice, Environment, Communications, Treasury, among others. Every classroom is thought as a town represented by a Mayor and everybody from 3rd grade up has to contribute in one of the Ministries during the school year. Yes, as you may have already figured, this beautiful (somewhat utopian) story is connected with the issues of the magazine because like every Republic, Mundo Karol has its own currency.

Before we move on to the currency, I must add that the School used to be called "Karol de Rascovia" (Cheap Karol) Mundo Karol" (Karol World), a fun world!. The School is

located in a very poor neighbourhood where kids deal with a tough culture full of violence, disrespect and exclusion. In addition to that, the school was filled with very bad behaved kids whom had already been kicked out of more than a school. Nonetheless, the School accepted

the School used to be called "Karol de Rascovia" (Cheap Karol)... now it's known as "Mundo Karol" (Karol World), a fun world!

every student who applied as long as there was space. After the School's Political Constitution was approved, the School became known as "Mundo Karol" (Karol World), a fun world!

"If Mundo Karol is a Republic, does it have a currency?" the Director was questioned during an interview after the democracy was established. At first, the Director didn't have an answer, so he turned to the students, parents and the school staff. Once he placed this inquiry in the community a kid came up with the idea, "it should represent merit", then another one said, "that's it, our currency should be called Karol Merits". The system started with paper coins coloured by parents handed to a classroom teacher, whom again turned to kids to figure out what to do with

the currency. The students proposed that they should receive Karol Merits (KM) for getting to School on time, and that's how it started. Kids from that classroom started to arrive on time every day and teachers were impressed with the effects of this new tool. Rapidly every teacher wanted Karol Merits for its classroom.

Soon parents were unable to colour enough paper coins so they created cheques, later bills, and again a new challenge, "Who's face should appear on the bills?". Kids once again settled it, "let's place the president in the 20 KM bill, the best Minister of the year in the 10 KM bill and the best Mayor in the 5 KM bill". And that was that.

Every student receives a KM for getting to School on time and has to give back a KM if he's late or doesn't show up. If there is a medical certificate that justifies his miss-attendance he gets his KM back. Every town (class) has its fixed monthly budget managed by the Treasury of the town, calculated by multiplying the number of students times the days of the month which they should attend school. The KMs from miss-attendance are of the teacher's property, they are used as incentives for good behaviour and in specific creative activities. So every month kids get paid for attending school and their good behaviour.

"In this School innovation is easy because everybody is taken into part" -Juan Carlos Navarrete, School Director-

The spendings usually take place in the so called "supermerkarol" (Karol supermarkets) which may occur within a town or may be open to the entire School. Donated clothes, toys and food are classified and priced by the Treasury so that prices are settled assuring quality. Other ways of

## Case Studies

exchange: the Ministry of Environment once proposed to punish students who littered with the option of bail paid in KMs, an application fee for football tournaments, or even they could be exchanged for regular money with interested family members who may want to keep them as souvenirs. The biggest supermerkaryl takes place at the end

The spendings usually take place in the so called "supermerkaryl" (Karol supermarkets) which may occur within a town or may be open to the entire School.

of the year as a Christmas fair, but instead of toys, clothes and food; kids may buy their school supplies for next year. In order to



acquire all of their supplies, students need

Every student receives a KM for getting to School on time and has to give back a KM if he's late or doesn't show up.



Photo- Students with the Minister of Finance and Economics (in the middle)

Photo- Student showing her karol merits.

cooperation, respectful participation, learning math, "preparing us for the future" complements a cracovian. For my surprise, the

Director had never heard of community currencies, but he sure is aware of it's results. As a taste of it's impact and to conclude this surreal story, a short and moving story within the story.

A parent of a students calls for an important family meeting, "kids, we are going through a very difficult situation. I have been trying to get a job for more than a month now and Mom has lost her job". The cracovian opens his backpack and takes out some food for the house, "where did you get that?" -the father-, "I bought it at School"-the kid-, "but how?, I never gave you money?"; "Dad, I get money for going to School... don't worry, I'll continue bringing food".

No words...

More information:

<http://www.mundokarol.cl>

to save KMs equivalent to almost 4 months of class.

The currency has been functioning for 13 years and the School is always open for innovation in it's usage. "In this School innovation is easy because everybody is taken into part" adds the Director. A tool for

## Review

# Local Money: how to make it happen in your community, by Peter North

The latest in Transition Towns series of square books is by academic Peter North. It is a survey of different currency models and is full of stories and practical experience. It's another big square book, following Local Food, and it's got the same practical, inspiring, can-do approach. This time, it's all about creating local money networks.

The Transition Towns movement is all about resilience – preparing towns for the challenges of climate change and peak oil. What's money got to do with it, you may well ask, but money is a valuable tool in relocalisation. Our current money system doesn't serve us very well. It is beyond our control, in the hands of bankers and politicians and people we might hesitate to trust. Local money is a way of re-imagining money as the tool it should be, rather than the master it often becomes.

## Peter North knows that everything in the book is an experiment, and that there's no one formula

Local Money begins with an introduction to money and a history of alternative currencies, and then dedicates a chapter each to a series of experiments with money. Time banking is one, a currency based on hours of work, and a great way to value all labour equally. Local Exchange Trading Schemes are an less formal way for people to trade skills that were successful in the past. North then explains the four Transition currencies so far, and ends with some tantalizing glimpses of the future of money, including feed-in tariff based bonds, mobile

phone money, and tradeable energy quotas.

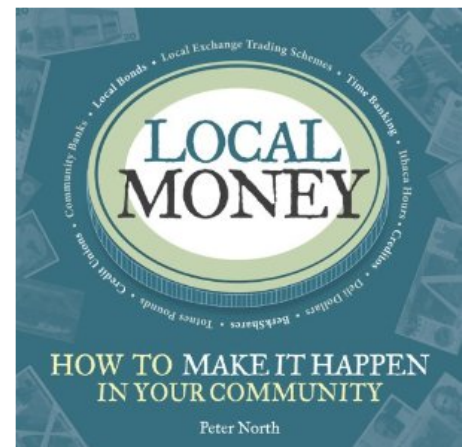
Among the more interesting systems that the book explores are Germany's regional currencies, which operate alongside the Euro. Reading at a time when the Euro is in considerable danger, I bet Germany is glad it put the regional alternatives in place. "Monoculture of money," says Peter North, "just like a monoculture of crops, is not resilient." I'm not sure why I hadn't heard about it before, but Germany has "a rich ecosystem of currencies", as North puts it. Each one serves a different purpose, and this is perhaps the closest to the healthy and resilient model that the Transition Towns are after.

Totnes, Lewes, Stroud and Brixton are the four Transition currencies. They each have a slightly different philosophy, Stroud being the most radical – it is democratic money, owned by a co-op. The main aim of these currencies is to build the local economy and encourage more local supply chains. It's a little early to tell whether it's working or not, and North hints that they are "perhaps mere glimpses of what could be" in future. This is the really practical bit if you're ready to have a go at creating your own money – lots of advice about getting buy-in from businesses, how much to print, why you should think long and hard about the name of your currency, tax implications, and so on.

There are some real strengths to Local Money. Peter North knows that everything in the book is an experiment, and that there's no one formula. It's an iterative process, and the book is great at breaking down historical examples to see what

worked and what didn't. It's honest too, acknowledging the failures and limitations of what has been tried so far as well as the successes. If you're ready to embark on the rather exciting journey of local money in your town, this is the most helpful book I've come across so far.

However, if you're not that far along, the book is less useful. I'd have loved to have read about local loyalty cards, such as the Wedge Card in London, or the 3/50 Project that invites people to pledge to spend money in three favourite local businesses. Both of these are a whole lot simpler, quicker, and less risky than launching a fully fledged alternative currency. It would have been great to hear more



about zero interest banks (see Jak), peer to peer lending, shared equity mortgages, local banking and credit unions, local bonds, microfinance, or the 'moneyless' credit clearance schemes that Thomas Greco champions. Some of these get a passing mention, but they could all be considered valid options for making local economies more resilient and deserve more attention.

In other words, Local Money is great on currencies, but could have been much broader in scope. The Transition currencies are wonderful experiments and this book will get you well on your way to launching your own, but there is so much more to try.

# Preview: Sacred Economics

By Charles Eisenstein

This article is adapted from the introduction to the upcoming book, *Sacred Economics*. For more of his writing, or to support him and his family, visit <http://www.ascentofhumanity.com>

Today we associate money with the profane, and for good reason. If anything is sacred in this world, it is surely not money. Money seems to be the enemy of all our better instincts, as is clear every time the thought "I can't afford to" blocks an impulse toward kindness or generosity. Money seems to be the enemy of beauty, as the disparaging term "a sellout" demonstrates. Money seems to be the enemy of every worthy social and political reform, as corporate power steers legislation toward the aggrandizement of its own profits. Money seems to be destroying the earth, as we pillage the oceans, the forests, the soil, and every species to feed a greed that knows no end.

From at least the time that Jesus threw the moneychangers from the temple, we have sensed that there is something unholy about money. When a politician seeks money instead of the public good, we call him corrupt. Adjectives like "dirty" and "filthy" naturally describe money. Monks are supposed to have little to do with it: "You cannot serve God and Mammon."

At the same time, no one can deny that money has a mysterious, magical quality as well, the power to alter human behavior and coordinate human activity. From ancient times thinkers have marveled at the ability of a mere mark to confer this power upon a disk of metal or slip of paper. Unfortunately, looking at the world around us, it is hard to avoid concluding that the magic of money is an evil magic.

Obviously, if we are to make money into something sacred, nothing less than a wholesale revolution in money will suffice, a transformation of its essential nature. It is not merely our attitudes about money that must change, as some self-help gurus and "prosperity programming" teachers would have us believe; rather, we will create a new kind of money that embodies and reinforces our changed attitudes. *Sacred Economics* describes this new money and

the new economy that will coalesce around it. It also explores the metamorphosis in human identity that is both a cause and a result of the transformation of money. The changed attitudes of which I speak go all the way to the core of what it is to be human: they include our understanding of the purpose of life, humanity's role on the planet, the relationship of the individual to the human and natural community; even what it is to be an individual, a self. This should not be surprising, since we experience money (and property) as an



extension of our selves; hence the possessive pronoun "mine" to describe it, the same pronoun we use to identify our arms and heads. My money, my car, my hand, my liver. Consider as well the sense of violation we feel when we are robbed or "ripped off," as if part of our very selves had been taken.

A transformation from profanity to sacredness in money, something so deep a part of our identity, something so central to the workings of the world, would have profound effects indeed. But what does it mean for money, or anything else for that matter, to be sacred? It is in a crucial sense the opposite of what sacred has come to

mean. For several thousand years, increasingly, the concepts of sacred, holy, and divine have referred to something separate from nature, the world, and the flesh. Three or four thousand years ago the gods began a migration from the lakes, forests, rivers, and mountains into the sky, becoming the imperial overlords of nature rather than its essence. As divinity separated from nature, so also it became unholy to involve oneself too deeply in the affairs of the world. The human being changed from a living soul to a mere receptacle of spirit, a profane envelope for a sacred soul, culminating in the Cartesian mote of consciousness observing the world but not participating in it, and the Newtonian watchmaker God doing the same. To be divine was to be supernatural, non-material. If God participated in the world at all, it was through miracles -- divine intercessions violating or superseding nature's laws.

Yet, paradoxically, this separate, abstract thing called spirit is supposed to be what animates the world. Ask the religious person what has changed when a person dies, and she will say the soul has left the body. Ask her who makes the rain fall and the wind blow, and she will say it is God. To be sure, Galileo and Newton appeared to have removed God from these everyday workings of the world, explaining it instead as the clockwork of a vast machine of impersonal force and mass, but even they still needed the Clockmaker to wind it up in the beginning, to imbue the universe with the potential energy that has run it ever since. This conception is still with us today as the Big Bang, a primordial event that is the source of the "negative entropy" that allows movement and life. In any case, our culture's notion of spirit is that of something separate and non-worldly, that yet can miraculously intervene in material affairs, and that even animates and directs them in some mysterious way.

It is hugely ironic and hugely significant that the one thing on the planet most closely resembling the forgoing conception of the divine is money! It is an invisible, immortal force that surrounds and steers all things, omnipotent and limitless, an "invisible hand" that, it is said, makes the world go 'round. Yet, money today is an abstraction, at most symbols on a piece of

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paper, but usually mere bits in a computer. It exists in a realm far removed from materiality. In that realm, it is exempt from nature's most important laws, for it does not decay and return to the soil as all other things do, but is rather preserved, changeless, in its vaults and computer files, even growing with time thanks to interest. It bears the properties of eternal preservation and everlasting increase, both of which are profoundly unnatural. The natural substance that comes closest to these properties is gold, which does not rust, tarnish, or decay. Early on, gold was therefore used both as money and as a metaphor for the divine soul, that which is incorruptible and changeless.

Money's divine property of abstraction, of disconnection from the real world of things, reached its extreme in the early years of the 21st century as the financial economy lost its mooring in the real economy and took on a life of its own. The vast fortunes of Wall Street were unconnected to any material production, seeming to exist in a separate realm.

Looking down from Olympian heights, the financiers called themselves "masters of the universe," channeling the power of the god they served to bring fortune or ruin upon the masses, to literally move mountains, raze forests, change the course of rivers, cause the rise and fall of nations. But money soon proved to be a capricious god. As I write these words, it seems that the increasingly frantic rituals that the financial

priesthood uses to placate the god money are in vain. Like the clergy of a dying religion, they exhort their followers to greater sacrifices while blaming their misfortunes either on sin (greedy bankers, irresponsible consumers) or on the mysterious whims of God (the financial markets). Soon, perhaps, we will blame the priests themselves.

What we call deflation, an earlier culture might have called, "God abandoning the world." Money is disappearing, and with it a third property of spirit, the animating force of the human realm. At this writing, all over the world machines stand idle. Factories have ground to a halt, construction equipment sits derelict in the yard. Yet all the human and material inputs to operate them still exist. There is still fuel, there are still raw materials, and there are still human beings in abundance who know how to operate the machines. It is rather something immaterial, that animating spirit, which has fled. What has fled is money. That is the only thing missing, so insubstantial (in the form of electrons in computers) that it can hardly be said to exist at all, yet so powerful that without it, human productivity grinds to a halt. It is as if God had forsaken the world. Even beyond the mechanical realm, we can see the demotivating effects of lack of money. Consider the stereotype of the unemployed man, nearly broke, slouched in front of the TV in his undershirt, drinking a beer, hardly able to rise from his chair. Money, it seems, animates people as well as machines. Without it we are dispirited.

We do not realize that our concept of the divine has attracted to it a god that fits that concept, and given it sovereignty over the earth. By divorcing the soul from the flesh, spirit from matter, and God from nature, we have installed a ruling power that is soulless, alienating, ungodly and unnatural. So when I speak of making money sacred, I am not invoking a supernatural agency to infuse sacredness into the inert, mundane objects of nature. I am rather reaching back to an earlier time, a time before the divorce of matter and spirit, when sacredness was endemic to all things.

My understanding of sacredness is the truth of the unity or the connectedness of all things, and the feeling is that of participating in something far greater than oneself, yet which also is oneself. In ecology, this is the principle of interdependence: that all beings depend for their survival on the web of other beings that surrounds them, ultimately extending out to encompass the entire planet. The extinction of any species diminishes our own wholeness, our own health, our own selves: something of our very being is lost.

This book will draw from ecology to help describe a sacred economy. For example, in the planetary ecosystem there is no such thing as waste: the waste of one creature is the food of another, creating a sacred gift circle. For an economy to be sacred, it must be the same.

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