Beyond Greed and Scarcity

by Bernard Lietaer

http://www.futurenet.org/article.asp?ID=895

Yes Magazine

Few people have worked in and on the money system in as many different capacities as Bernard Lietaer. He spent five years at the Central Bank in Belgium, where his first project was the design and implementation of the single European currency system. He was president of Belgium's Electronic Payment System, and has developed technologies for multinational corporations to use in managing multiple currency environments.

He has helped developing countries improve their hard currency earnings and taught international finance at the University of Louvain, in his native Belgium.

Bernard Lietaer was also the general manager and currency trader for one of the largest and most successful offshore currency funds.

He is currently a fellow at the Center for Sustainable Resources at the University of California at Berkeley.

YES! editor Sarah van Gelder talked to Bernard about the possibilities for a new kind of currency better suited to building community and sustainability. He can be reached to discuss this topic via an Internet conference at: http://www.transaction.net/money/

SARAH : Why do you put so much hope into the development of alternative currencies?

BERNARD : Money is like an iron ring we've put through our noses. We've forgotten that we designed it, and it's now leading us around. I think it's time to figure out where we want to go - in my opinion toward sustainability and community - and then design a money system that gets us there.

SARAH : So you would say that the design of money is actually at the root of much else that happens, or doesn't happen, in society?

BERNARD : That's right. While economic textbooks claim that people and corporations are competing for markets and resources, I claim that in reality they are competing for money - using markets and resources to do so. So designing new money systems really amounts to redesigning the target that orients much human effort.

Furthermore, I believe that greed and competition are not a result of immutable human temperament; I have come to the conclusion that greed and fear of scarcity are in fact being continuously created and amplified as a direct result of the kind of money we are using.

For example, we can produce more than enough food to feed everybody, and there is definitely enough work for everybody in the world, but there is clearly not enough money to pay for it all. The scarcity is in our national currencies. In fact, the job of central banks is to create and maintain that currency scarcity. The direct consequence is that we have to fight with each other in order to survive.

Money is created when banks lend it into existence (see article by Thomas Greco on page 19). When a bank provides you with a $100,000 mortgage, it creates only the principal, which you spend and which then circulates in the economy. The bank expects you to pay back $200,000 over the next 20 years, but it doesn't create the second $100,000 - the interest. Instead, the bank sends you out into the tough world to battle against everybody else to bring back the second $100,000.

SARAH : So some people have to lose in order for others to win? Some have to default on their loan in order for others to get the money needed to pay off that interest?

BERNARD : That's right. All the banks are doing the same thing when they lend money into existence. That is why the decisions made by central banks, like the Federal Reserve in the US, are so important - increased interest costs automatically determine a larger proportion of necessary bankruptcies.

So when the bank verifies your "creditworthiness," it is really checking whether you are capable of competing and winning against other players - able to extract the second $100,000 that was never created. And if you fail in that game, you lose your house or whatever other collateral you had to put up.

SARAH : That also influences the unemployment rate.

BERNARD : It's certainly a major factor, but there's more to it. Information technologies increasingly allow us to attain very good economic growth without increases in employment. I believe we're seeing one of the last job-driven affluent periods in the US right now. As Jeremy Rifkin argues in his book, *The End of Work*, jobs are basically not going to be there anymore, even in "good times."

A study done by The International Metalworkers Federation in Geneva predicts that within the next 30 years, 2 or 3 percent of the world's population will be able to produce everything we need on the planet. Even if they're off by a factor of 10, we'd still have a question of what 80 percent of humanity will do.

My forecast is that local currencies will be a major tool for social design in the 21st century, if for no other reasons than employment. I don't claim that these local currencies will or should replace national currencies; that is why I call them "complementary" currencies. The national, competition-generating currencies will still have a role in the competitive global market. I believe, however, that complementary local currencies are a lot better suited to developing cooperative, local economies.

SARAH : And these local economies will provide a form of employment that won't be threatened with extinction?

BERNARD : As a first step, that is correct. For example, in France, there are now 300 local exchange networks, called *Grain de Sel*, literally "Grain of Salt." These systems - which arose exactly when and where the unemployment levels reached about 12 percent - facilitate exchanges of everything from rent to organic produce, but they do something else as well. Every fortnight in the Ariege, in southwestern France, there is a big party. People come to trade not only cheeses, fruits, and cakes as in the normal market days, but also hours of plumbing, haircuts, sailing or English lessons. Only local currencies accepted!

Local currency creates work, and I make a distinction between work and jobs. A job is what you do for a living; work is what you do because you like to do it. I expect jobs to increasingly become obsolete, but there is still an almost infinite amount of fascinating work to be done.

For example, in France you find people offering guitar lessons and requesting lessons in German. Neither would pay in French francs. What's nice about local currency is that when people create their own money, they don't need to build in a scarcity factor. And they don't need to get currency from elsewhere in order to have a means of making an exchange with a neighbor.

Edgar Cahn's Time Dollars are a classical example. As soon as you have an agreement between two people about a transaction using Time Dollars, they literally create the necessary "money" in the process; there's no scarcity of money. That does not mean there's an infinite amount of this currency, either; you cannot give me 500,000 hours - nobody has 500,000 hours to give. So there's a ceiling on it, yes, but there's no artificial scarcity. Instead of pitting people against each other, the system actually helps them cooperate.

SARAH : So you're suggesting that scarcity needn't be a guiding principle of our economic system. But isn't scarcity absolutely fundamental to economics, especially in a world of limited resources?

BERNARD : My analysis of this question is based on the work of Carl Gustav Jung because he is the only one with a theoretical framework for collective psychology, and money is fundamentally a phenomenon of collective psychology.

A key concept Jung uses is the archetype, which can be described as an emotional field that mobilizes people, individually or collectively, in a particular direction. Jung showed that whenever a particular archetype is repressed, two types of shadows emerge, which are polarities of each other.

For example, if my higher self - corresponding to the archetype of the King or the Queen - is repressed, I will behave either as a Tyrant or as a Weakling. These two shadows are connected to each other by fear. A Tyrant is tyrannical because he's afraid of appearing weak; a Weakling is afraid of being tyrannical. Only someone with no fear of either one of these shadows can embody the archetype of the King.

Now let's apply this framework to a well-documented phenomenon - the repression of the Great Mother archetype. The Great Mother archetype was very important in the Western world from the dawn of prehistory throughout the pre-Indo-European time periods, as it still is in many traditional cultures today. But this archetype has been violently repressed in the West for at least 5,000 years starting with the Indo-European invasions - reinforced by the anti-Goddess view of Judeo-Christianity, culminating with three centuries of witch hunts - all the way to the Victorian era.

If there is a repression of an archetype on this scale and for this length of time, the shadows manifest in a powerful way in society. After 5,000 years, people will consider the corresponding shadow behaviors as "normal."

The question I have been asking is very simple: What are the shadows of the Great Mother archetype? I'm proposing that these shadows are greed and fear of scarcity. So it should come as no surprise that in Victorian times - at the apex of the repression of the Great Mother - a Scottish schoolmaster named Adam Smith noticed a lot of greed and scarcity around him and assumed that was how all "civilized" societies worked. Smith, as you know, created modern economics, which can be defined as a way of allocating scarce resources through the mechanism of individual, personal greed.

SARAH : Wow! So if greed and scarcity are the shadows, what does the Great Mother archetype herself represent in terms of economics?

BERNARD : Let's first distinguish between the Goddess, who represented all aspects of the Divine, and the Great Mother, who specifically symbolizes planet Earth - fertility, nature, the flow of abundance in all aspects of life. Someone who has assimilated the Great Mother archetype trusts in the abundance of the universe. It's when you lack trust that you want a big bank account. The first guy who accumulated a lot of stuff as protection against future uncertainty automatically had to start defending his pile against everybody else's envy and needs. If a society is afraid of scarcity, it will actually create an environment in which it manifests well-grounded reasons to live in fear of scarcity. It is a self-fulfilling prophecy!

Also, we have been living for a long time under the belief that we need to create scarcity to create value. Although that is valid in some material domains, we extrapolate it to other domains where it may not be valid. For example, there's nothing to prevent us from freely distributing information. The marginal cost of information today is practically nil. Nevertheless, we invent copyrights and patents in an attempt to keep it scarce.

SARAH : So fear of scarcity creates greed and hoarding, which in turn creates the scarcity that was feared. Whereas cultures that embody the Great Mother are based on abundance and generosity. Those ideas are implicit in the way you've defined community, are they not?

BERNARD : Actually it's not my definition, it's etymological. The origin of the word "community" comes from the Latin *munus*, which means the gift, and *cum*, which means together, among each other. So community literally means to give among each other.
Therefore I define my community as a group of people who welcome and honor my gifts, and from whom I can reasonably expect to receive gifts in return.

SARAH : And local currencies can facilitate that exchange of gifts.

BERNARD : The majority of the local currencies I know about have been started for the purpose of creating employment, but there is a growing group of people who are starting local currencies specifically to create community.

For example, I would feel funny calling my neighbor in the valley and saying, "I notice you have a lot of pears on your tree. Can I have them?" I would feel I needed to offer something in return. But if I'm going to offer scarce dollars, I might just as well go to the supermarket, so we end up not using the pears. If I have local currency, there's no scarcity in the medium of exchange, so buying the pears becomes an excuse to interact.
In Takoma Park, Maryland, Olaf Egeberg started a local currency to facilitate these kinds of exchanges within his community. And the participants agree that is exactly what has been happening.

SARAH : That raises the question of whether local currencies can also be a means for people to meet their basic needs for food and housing, or would those sectors remain part of the competitive economy?

BERNARD : There are lots of people who love gardening, but who can't make a living from it in the competitive world. If a gardener is unemployed, and I'm unemployed, in the normal economy we might both starve. However with complementary currencies, he can grow my salads, which I pay for in local currency earned by providing another service to someone else.

In Ithaca, "Hours" are accepted at the farmer's market; the farmers can use the local currency to hire someone to help with the harvest or to do some repairs.

Some landlords accept Hours for rent, particularly if they don't have a mortgage that must be paid in scarce dollars.

When you have local currency, it quickly becomes clear what's local and what's not. K-Mart will accept dollars only; their suppliers are in Hong Kong or Singapore or Kansas City. But Ithaca's local supermarket accepts Hours as well as dollars. By using local currencies, you create a bias toward local sustainability.

SARAH : Local currencies also provide communities with some buffering from the ups and downs of the global economy. You've been in the business of monitoring, dealing in, and even helping to design the global finance system. Why would communities want to be insulated from it?

BERNARD : First of all, today's official monetary system has almost nothing to do with the real economy. Just to give you an idea, 1995 statistics indicate that the volume of currency exchanged on the global level is $1.3 trillion per day. This is 30 times more than the daily gross domestic product (GDP) of all of the developed countries (OECD) together. The annual GDP of the United States is turned in the market every three days!
Of that volume, only 2 or 3 percent has to do with real trade or investment; the remainder takes place in the speculative global cyber-casino. This means that the real economy has become rele-gated to a mere frosting on the speculative cake, an exact reversal of how it was just two decades ago.

SARAH : What are the implications of this? What does it mean for those of us who aren't transacting deals across international boundaries?

BERNARD : For one thing, power has shifted irrevocably away from governments toward the financial markets. When a government does something not to the liking of the market - like the British in '91, the French in '94 or the Mexicans in '95 - nobody sits down at the table and says "you shouldn't do this." A monetary crisis simply manifests in that currency. So a few hundred people, who are not elected by anybody and have no collective responsibility whatsoever, decide what your pension fund is worth - among other things.

SARAH : You've also talked about the possibility of a crash in this system...

BERNARD : Yes, I see it now as about a 50/50 chance over the next five or 10 years. Many people say it's 100 percent, and with a much shorter time horizon. George Soros, who's made part of his living doing what I used to do - speculating in currencies - concluded, "Instability is cumulative, so that eventual breakdown of freely floating exchanges is virtually assured."

Joel Kurtzman, ex-editor at the *Harvard Business Review*, entitles his latest book: *The Death of Money* and forecasts an imminent collapse due to speculative frenzy.
Just to see how this could happen: all the OECD Central Banks' reserves together

represent about $640 billion. So in a crisis situation, if all the Central Banks were to agree to work together (which they never do) and if they were to use all their reserves (which is another thing that never happens) they have the funds to control only half the volume of a normal day of trading. In a crisis day, that volume could easily double or triple, and the total Central Bank reserves would last two or three hours.

SARAH : And the outcome would be?

BERNARD : If that happens, we would suddenly be in a very different world. In 1929, the stock market crashed, but the gold standard held. The monetary system held. Here, we are dealing with something that's more fundamental. The only precedent I know of is the Roman Empire collapse, which ended Roman currency. That was, of course, at a time when it took about a century and a half for the breakdown to spread through the empire; now it would take a few hours.

SARAH : So local currencies could provide some resilience for a community that could help it survive a currency melt-down or some other international breakdown. You've also mentioned that local currencies help promote sustainability. What's the connection?

BERNARD : To understand that, we need to see the relationship between interest rates and the ways we discount the future.

If I ask, "Do you want $100 now or $100 a year from now," most people would want the money now simply because one can deposit money risk-free in a bank account and get about $110 a year later. Another way of putting it is that if I were to offer you $100 a year from now that would be about equal to offering you $90 today. This discounting of the future is referred to as 'discounted cash flow'.

That means that under our current system it makes sense to cut down trees and put the money in the bank; the money in the bank will grow faster than trees. It makes sense to "save" money by building poorly insulated houses because the discounted cost of the extra energy over the lifetime of the house is cheaper than insulating.
We can, however, design a monetary system that does the opposite; it actually creates long-term thinking through what is called a "demurrage charge." The demurrage charge is a concept developed by Silvio Gesell about a century ago. His idea was that money is a public good - like the telephone or bus transport - and that we should charge a small fee for using it. In other words, we create a negative rather than a positive interest rate.
What would that do? If I gave you a $100 bill and told you that a month from now you're going to have to pay $1 to keep the money valid, what would you do?

SARAH : I suppose I would try to invest it in something else.

BERNARD : You got it. You know the expression, "Money is like manure; it's only good when it's spread out." In the Gesell system, people would only use money as a medium of exchange, but not as a store for value. That would create work, because it would encourage circulation, and it would invert the short-term incentive system. Instead of cutting trees down to put the money in the bank, you would want to invest your money in living trees or installing insulation in your house.

SARAH : Has this ever been tried?

BERNARD : There are only three periods I have found: classical Egypt; about three centuries in the European Middle Ages, and a few years in the 1930s.
In ancient Egypt, when you stored grain, you would receive a token, which was exchangeable and became a type of currency. If you returned a year later with 10 tokens, you would only get nine tokens worth of grain, because rats and spoilage would have reduced the quantities, and because the guards at the storage facility had to be paid. So that amounted to a demurrage charge.

Egypt was the breadbasket for the ancient world, the gift of the Nile. Why? Because instead of keeping value in money, everybody invested in productive assets that would last forever - things like land improvements and irrigation systems.
Proof that the monetary system had something to do with this wealth is that it all ended abruptly as soon as the Romans replaced the Egyptian 'grain standard' currency with their own money system, with positive interest rates. After that, Egypt ceased being the grain-basket, and became a "developing country" as it is called today.

In Europe during the Middle Ages - the 10th to 13th centuries - local currencies were issued by local lords, and then periodically recalled and reissued with a tax collected in the process. Again, this was a form of demurrage that made money undesirable as a store of value. The result was the blossoming of culture and widespread well-being, corresponding exactly to the time period when these local currencies were used.
Practically all the cathedrals were built during this time period. If you think about what is required as investment for a small town to build a cathedral, it's extraordinary.

SARAH : Because cathedrals take generations to build?

BERNARD : Well, not only that. Besides the obvious symbolic and religious roles - which I don't want to belittle - one should remember that cathedrals had an important economic function; they attracted pilgrims, who, from a business perspective, played a similar role to tourists today. These cathedrals were built to last forever and create a long-term cash flow for the community. This was a way of creating abundance for you and your descendants for 13 generations! The proof is that it still works today; in Chartres, for instance, the bulk of the city's businesses still live from the tourists who visit the cathedral 800 years after it was finished!

When the introduction of gunpowder technology enabled the kings to centralize power in the early 14th century, the first thing they did was to monopolize the money system. What happened? No more cathedrals were built. The population was just as devoutly Christian in the 14th or 15th century, but the economic incentive for collective long-term investments was gone.

I use the cathedral simply as an example. Accounts from 12th century estates show that mills and other productive assets were maintained at an extraordinary level of quality, with parts replaced even before they wore out. Recent studies have revealed that the quality of life for the common laborer in Europe was the highest in the 12th to 13th centuries; perhaps even higher than today. When you can't keep savings in the form of money, you invest them in something that will produce value in the future. So this form of money created an extraordinary boom.

SARAH : Yet this was a period when Christianity was supreme in Europe and so presumably the Great Mother archetype was still being repressed.

BERNARD : Well, actually a very interesting religious symbol became prevalent during this time: the famous "Black Madonna." There were hundreds of these statues during the 10th to 13th centuries, which were in fact statues of Isis with the child Horus sitting on her lap, directly imported from Egypt during the first Crusades. Her special vertical chair was called the "cathedra" (which is where the word cathedral comes from) and interestingly this chair was the exact symbol identifying Isis in ancient Egypt. The statues of the Black Madonnas were also identified in medieval time as the "Alma Mater" (literally the "Generous Mother," an expression still used in America to refer to someone's 'mother university').

The Black Madonnas were a direct continuity of the Great Mother in one of her most ancient forms. She symbolized birth and fertility, the wealth of the land. She symbolized spirit incarnate in matter, before the patriarchal societies separated spirit from matter. So here we have a direct archetypal linkage between the two civilizations that spontaneously created money systems with demurrage charges while creating unusual levels of abundance for the common people: ancient Egypt and 10th-to-13th century Europe. These money systems correspond exactly to the honoring of that archetype.

SARAH : How interesting! What potential do you see for local currencies to bring this Great Mother archetype of abundance and generosity into our economic system today?

BERNARD : The biggest issues that I believe humanity faces today are sustainability and the inequalities and breakdown in community, which create tensions that result in violence and wars. We can address both these issues with the same tool, by consciously creating currency systems that will enhance community and sustainability.

Significantly, we have witnessed in the past decades a clear re-awakening of the feminine archetype. It is reflected not only in the women's movement, in the dramatic increase in ecological concerns, or in new epistemologies reintegrating spirit and matter, but also in the technologies that enable us to replace hierarchies with networks (such as the Internet).
Add to these trends the fact that for the first time in human history we have available the production technologies to create unprecedented abundance. All this converges into an extraordinary opportunity to combine the *hardware* of our technologies of abundance and the *software* of archetypal shifts.

Such a combination has never been available at this scale or at this speed: it enables us to consciously design money to work ***for us***, instead of us ***for it***.
I propose that we choose to develop money systems that will enable us to attain sustainability and community healing on a local and global scale. These objectives are in our grasp within less than one generation's time. Whether we materialize them or not will depend on our capacity to cooperate with each other to consciously reinvent our money.

An Interview with Bernard Lietaer

By Ravi Dykema

What is money? And how well does it work to solve society's ills? Bernard Lietaer, author of the upcoming book *Access to Human Wealth: Money beyond Greed and Scarcity* (Access Books, 2003), has made a life's work of exploring these questions. Lietaer has been involved in the world of money systems for more than 25 years, and his experience in monetary matters ranges from multinational corporations to developing countries. He co-designed and implemented the convergence mechanism to the single European currency system (the Euro), and served as president of the Electronic Payment System in his native Belgium. He also co-founded one of the largest and most successful currency funds.

Lietaer is the author of nine books on money and finances, including *The Future of Money* (Random House, 2001), *The Mystery of Money* (Riemann Verlag, 2000) and a book for kids, called *The World of Money* (Arena Verlag, 2001). Formerly professor of international finance at the University of Louvain, Lietaer is currently a fellow at the Center for Sustainable Resources at the University of California, Berkeley. Beginning this fall, he will be a professor at Naropa University. Here, Lietaer shares his views on the shortcomings of our conventional currency system, the benefits of creating a complementary currency, and ways to effect lasting social change.

RD: You're very experienced on the world stage with currencies and money—it's the world you've moved in much of your life, right?

BL: Yes, both in the area of conventional money such as the Euro and more recently with less conventional money systems. Below the radar beams of official thought, there has been a resurgence all over the world for the last 15 to 20 years of what I call complementary currencies, currencies that are operating on a smaller scale than the national level, and that can solve social, environmental and education problems.

RD: People think of someone who works with currencies as being a materialist. Yet it sounds as if your interests are towards social change through complementary currencies. How did you come to be interested in this other dimension?

BL: The reason I went to the Central Bank in the first place was to check whether it was possible to improve the conventional money system from within. I had been working for a number of years in South America, and I had seen the damage that the existing money system has created on a huge scale in Latin America.

RD: You thought it was the money system and not just the governments?

BL: It's a chicken and egg story: unstable currency equals unstable government. There is practically no way today for a developing country to have a reasonable monetary policy within the current rules of the game. Joseph Stiglitz, Nobel laureate in economics and formerly head economist at the World Bank, makes the same claims in his book *Globalization and Its Discontents* (Penguin, 2002). Whether you fix your currency to the dollar or let it float, you end up with an unmanageable monetary problem, like Brazil, Russia or Argentina have experienced. Eighty-seven countries have gone through a major currency crisis in the last 25 years. Their fiscal policies are imposed by an International Monetary Fund (IMF). I am afraid that if the United States had to live by the rules that are imposed on, say, Brazil, the United States of America would become a developing country in one generation. It's the system that is currently unstable, unfair and not working.

The majority of humanity has gone through a recent monetary crisis at least once already. We're living here, in America, in an island of perceived stability. And even that is an illusion. We could have a run on the dollar under the current rules.

We are dealing with an unstable system, an ailing system. Back in 1975, I had come to the conclusion that there would be a systemic series of monetary crashes, starting with Latin America. And that's why I wrote my book on how the money system was not working and its impact on Latin American development, Europe, Latin America and the Multinationals (Praeger, 1979). I predicted that the first crash in Latin America would be in the early 1980s. It actually happened in 1981 in Mexico. Since then we have had more than 80 other countries undergoing similar monetary crises.

RD: So someone's not connecting the dots—or are they?

BL: Let me put it this way. The powers that be have no interest in connecting the dots. If a new international monetary meeting like Breton Woods were held, the first point on the agenda would be the role of the dollar. So the United States has no interest in such a meeting. The dollar is in a very privileged position.

RD: But it would be anyway, wouldn't it, because we're a dominant economic player?

BL: I don't want to spend a lot of time and energy attacking the existing system. It is an obvious fact that America is the sole super power. But when people say, "Well, there are fiscal crises in other countries because the governments are less stable," my question is, "How long would any government last in a country if you had to repeatedly cut back on education programs, social programs, building roads and all other programs?" How could that make a stable democratic government possible? Like I said, it's a chicken and an egg sequence.

There is no way of winning in the current monetary game, particularly for the less developed countries. It's not accidental that investments in the Third World have dropped proportionally by a third since 1975. Currently, investments happen mainly between developed countries, and that trend isn't going to create a sustainable world anytime soon.

RD: So the Third World is just being abandoned?

BL: Yes. Entire continents. Africa for instance has been dropped off the world economic map for most practical purposes.

RD: And re-envisioning and re-engineering money itself could change this?

BL: Correct. And the good news is that such re-engineering of money has started to happen if one knows where to look.

RD: Do a lot of other people share your views?

BL: Most people haven't looked at what's happening in monetary innovations today. What do you think a frequent flyer mile is, but a currency issued by an airline? In Britain, you can go to J. Sainsbury, the largest supermarket chain, and use British Airway miles to buy your goods. Initially, it was only designed as a loyalty scheme for people taking planes. Today, you can earn this currency without ever taking a plane. On Visa cards you get miles. And you can use them to pay long-distance telephone calls, taxis, restaurants, hotels.

First, let's define what a currency is, because most textbooks don't teach what money is. They only explain its functions, that is, what money does. I define money, or currency, as an agreement within a community to use something as a medium of exchange. It's therefore not a thing, it's only an agreement—like a marriage, like a political party, like a business deal. And most of the time, it's done unconsciously. Nobody's polled about whether you want to use dollars. We're living in this money world like fish in water, taking it completely for granted.

Now the point is: there are many new agreements being made within communities as to the kind of medium of exchange they are willing to accept. As I said, in Britain, you can use frequent flier miles as currency. It's not a universal currency, it's not legal tender, but you can go to the supermarket and buy stuff. And in the United States, it's just a question of time before privately issued currencies will be used to make purchases. Even Alan Greenspan, the governor of the Federal Reserve and the official guardian of the conventional money system, says, "We will see a return of private currencies in the 21st century."

RD: In other words, private currencies are coming back. How would that change the circumstances for poor people, for the Third World?

BL: I gave you that first example—a commercial loyalty currency—only because it would be familiar to most of your readers. But in addition to those commercial private currencies, there are now more than 4,000 communities around the world that have started their own currency for social purposes as well.

For example, there are about 300 or 400 private currency systems in Japan to pay for any care for the elderly that isn't covered by the national health insurance. They are called "fureai kippu" (caring relationship tickets). Here's how they work: let's say that on my street lives an elderly gentleman who is handicapped and cannot go shopping for himself. I do the shopping for him. I help him with food preparation. I help him with the ritual bath, which is very important in Japan. For this help, I get credits. I put those credits in a savings account, and when I'm sick, I can have other people provide such services for me. Or I can electronically send my credits to my mother, who lives on the other side of the country, and somebody takes care of her.

Here is an agreement within a community to use as medium of payment something other than national currencies, to solve a social problem. And it makes it possible for hundreds of thousands of people to stay in their homes much longer than they otherwise could. Otherwise, you'd have to put most of these people into a home for seniors, which costs an arm and a leg to society, and they're unhappy there. So nobody's winning. In contrast, Japan has created a currency for elderly care.

In the United States, Florida is the only state that has the same density of elderly people as Japan does—18 percent of the population is more than 65 years old. But Florida is a model for our collective future. Colorado will be there in 2020. Germany will be there in 2006, France in 2008, Britain in 2012. Partly because of the baby boom generation, and partly because of the fact that health care has improved and people live longer. If you put all of these elderly in homes for seniors, you'd go bankrupt. Japan has been looking for another way, and has found it by introducing a monetary innovation.

Let me give you other examples, already operational here in America today. There are now several hundred "time dollar" operational systems in the United States. The unit of account is the hour. I do something for you. I have a credit for an hour, while you have a debit for an hour. If I can use my credit with someone else, this creates a currency between us. For those people who are willing to give some of their time, the money manifests automatically. It doesn't quite work that way with dollars, does it? One of the two of us has to get dollars by competing for them somewhere outside of our community.

Time dollars are helping in a lot of communities where conventional money is scarce: in ghettos, retirement communities, high unemployment zones, student communities. There are 31 states in America that are paying employees to start such time dollar systems, because it solves social problems. There are some operating in Chicago, fairly big ones in Florida. For example, in Chicago, there are entire neighborhoods that used time dollar systems to create a neighborhood watch system that got rid of drugs and gangs. It's working, it doesn't cost anything to the taxpayer, it doesn't create a huge bureaucracy, and it encourages the solution of the local problems by and with the very people who know most about them.

RD: What do they use their time-dollar credits for?

BL: Well, it's a closed circle. If I do something for you, I have a credit, which I can use with any member of the community that is part of the system. I can't buy cars or pay my telephone bill with this system because the suppliers of such items don't participate now in such systems; but I can obtain services—so I could have my car repaired, my house painted, my kids mentored.

The inventor of the time dollar system is Edgar Cahn, who's the author of *No More Throw-Away People* (Essential Works Ltd, 2000). He claims that if you can't compete in the dollar economy, you're thrown away. He shows how a time dollars system provides a solution to this process, because it operates in parallel with the conventional competitive economy, and it creates an environment where everybody can contribute.

RD: So you envision a world where there are a lot of these alternative currencies?

BL: I don't call them alternative, because they aren't intending to abolish or replace the national currency. I'm not claiming that we could or should abandon national currencies or the competitive economy. This is a complementary currency system. It facilitates exchanges additional to the normal system. It makes it possible to match unmet needs with unused resources.

RD: I can't see how you'd be able to pay your rent with that.

BL: Well, in Ithaca, New York, there is a currency called Ithaca hours, and some people pay part of their rent with it. Not all of it: for some it is 50/50, for others it is 80/20. And the landlord or lady can go to the farmer's market and buy his vegetables and his eggs.

RD: So the big things—transportation, housing, food—are those covered in the concept of complementary currency?

BL: It all depends on the agreement you're making, and whom you are succeeding in including in that agreement. Let me give you a real-life example. In Curitiba, the capital city of the State of Paran in Brazil, if you bring pre-sorted garbage, you are given bus tokens. So in Curitiba, public transport is clearly part of their complementary currency system.

It depends on the agreements you have with your landlord, with the transportation company, with the university, with the business community. It just depends on who wants or is willing to participate. You can't force anybody to accept this currency. They are not what is technically called "legal tender." I call them "common tender": commonly accepted as payment for debts without coercion of legal means.

RD: I understand that the government wants to get its chunk out of barter transactions, just as if they were a cash transaction.

BL: Yes, and those taxes will need to be paid in "legal tender", i.e. dollars. The tax issue has nothing to do with the currency you use in an exchange, but with the kind of transaction you're performing.

Say I'm a plumber. I come to your house and fix the plumbing. And you give me a nice cake in payment. I'm supposed to declare the value of that cake and pay taxes on it, because I'm in the plumbing business. Now say I am a professor at a university. I come to your house. I fix your faucet. You give me a $100 bill. I'm not obliged to declare it because I'm not in the plumbing business. As I said: it is not the currency used that determines whether a transaction is taxable or not, but the nature of that transaction.

Interestingly, there is one complementary currency, the time-dollar system that we talked about earlier, that is officially tax-free in the United States. It's used only to resolve social problems, and the IRS has ruled that time-dollar systems are tax-free.

RD: I think complementary currencies, barter included, should be tax-free, because they offer solutions to a social problem.

BL: Then I suggest you go and lobby for passing such a law. Currently that's not what the law says in the United States.

The use of complementary currencies is fairly recent. It took off only in the last 15 years. Even in 1990 there were less than one hundred complementary currency systems worldwide. Today there are over 4,000. It's definitely catching on.

RD: And you would like to see it continue to expand?

BL: I think it is a useful tool to solve a number of our problems. It makes it possible to truly create a more gentle society.

I spent last summer in Bali. People are remarkably artistic in that island. Their communities are unusually strong. They have festivals that are totally mind-blowing, and can last a month. They're having a good time. It's a comparatively non-violent society. And what I found is that it isn't a simple coincidence that they have been using a dual currency system for many centuries. All these unusual characteristics of Bali turn out directly to be nurtured by their dual money system. I am publishing a detailed paper on how this mechanism works in the forthcoming issue of *Reflections*, the journal of the Society of Organizational Learning at MIT.

RD: How does the money system lead to those outcomes?

BL: Practically all Balinese participate in a dual currency system. The first is the conventional national currency (the Indonesian Rupiah); the second is a time currency where the unit of account is a block of time of approximately three hours. This second currency is created and used within the "banjar"—this is a community entity consisting of between 50 and 500 families. It is in each banjar that the decisions are made democratically to launch any big community project. It could be to put on a festival or build a school. For each project, they always make two complementary budgets: one in the national currency, and one in time. That second currency—called "narayan banjar" (meaning work for the common good of the community)—is created by the people themselves. They don't have to compete in the outside world to obtain that second currency, and it fosters cooperation between the members of the community. I call it a yin currency—it's more feminine in nature. And it complements the national currency, which is a competitive currency and therefore of a yang, or masculine, nature.

Here's why it works: poor communities don't have a lot of national currency, but they tend to have a lot of time. In rich communities, the opposite tends to be the case—people have more national currency, but less time. In either case, each banjar is capable of creating extraordinary events just by budgeting and using more of the kind of currency—national or time—in which they are rich. This balance is a key contribution to the unusually strong community spirit that prevails in Bali. And it's not just because they're Hindus. There are almost a billion Hindus in India, and they don't behave that way. Here is an example of how a currency can make a difference.

RD: We have a strong emotional attachment to money, and we worry about it. So how we relate to money influences who we are and how we think of ourselves.

BL: Yes, you're right. But it is interesting that societies that are using different kinds of currency have also very different collective emotions concerning money. The generally accepted theory—dating back to Adam Smith—is that money is value neutral. Money is supposed to be just a passive medium of exchange. It supposedly doesn't affect the kind of transactions we make, or the kind of relations we establish while making those exchanges. But the evidence is now in: this hypothesis turns out to be incorrect. Money is not value neutral.

Let's return to the example of the fureai kippu that I was mentioning earlier, the elderly care currency in Japan. A survey among the elderly asked them what they prefer: the services provided by people who are paid in yen, the national currency; or the services provided by the people paid in fureai kippu. The universal answer: those paid in fureai kippu, "because the relationships are different." This is one example of evidence that currency is not neutral.

Another example: there is typically a reluctance among friends to pay for help provided by using national currency. If a friend is helping you move or paint and you pay him with national currency, it just doesn't feel right. Interesting isn't it?

RD: So people feel differently about complementary currencies than national currencies?

BL: Yes, there have been surveys in several countries that prove this to be the case. Conventional currencies are built to create competition, and complementary currencies are built to create cooperation and community, and it's important to be aware that both can be available to make our exchanges.

According to Paul Ray's (author of *The Cultural Creatives,* Harmony Books, 2000) study, 83 percent of Americans believe that the top priority should be to re-build community, and yet the kind of currency we use in our transactions is precisely one that eliminates community. The word "community" comes from Latin, "cum munere." "Munere" is "to give," and "cum" is "among each other"—so, community means "to give among each other." In short, it turns out that dollar exchanges tend to be incompatible with a gift economy. Complementary currencies are.

RD: Are you saying that you can't have community if you're using dollar exchanges?

BL: I'm saying that exclusive use of a competitive programmed currency in a community tends to be destructive for the community fabric. This isn't theory. We've seen this happen at the tribe level, with the collapses of traditional societies. I've seen one happen myself in Peru among the Chipibo in the Amazon. That tribe had been in existence for thousands of years. When they started using the national currency among themselves, the whole community fabric collapsed in five years' time.

The same thing happened here during the 19th century in the Northwestern United States and Canada, in the traditional indigenous societies. The moment they started using white man's currency among themselves, the community collapsed, the traditional fabric broke down.

RD: Do you think complementary currencies really can transform our planet?

BL: Yes. Bali is a perfect example that long-term use of a dual yin-yang currency system creates a different society. Thirty percent of a Balinese adult's life happens in the space of the yin, feminine currency, which is the time currency. In contrast, we spend close to 100 percent of our time in the masculine, yang, competitive currency. That 30 percent of time spent on community activities creates another society, where everybody can become an artist, where the community fabric is stronger, where the social safety net is reliable, where abandonment is unknown. It nurtures an extraordinary feeling of trust and a higher quality of life.

RD: And you think this kind of culture and community can exist in other places, with completely different religions and cultures?

BL: The short answer is yes. We have evidence from Japan, Germany, Mexico, Brazil and the United States to show that complementary currencies make a difference in the way people relate to each other.

RD: In a really transformed world, would a community be using multiple complementary currencies as well as the national currency?

BL: Not necessarily. What has started to happen recently is an integration—many of these services that were using highly specialized complementary currencies are beginning to integrate into a single, local social-purpose currency. For example, youngsters who are taking care of the elderly in Japan using their credits in partial payment for tuition at the university, so we're solving two problems at the same time. It provides an additional way of making things happen that otherwise is not available when national currency is scarce. Remember, complementary currencies simply enable additional matches between unmet needs and unused resources.

RD: Does the internet and electronic transfer systems offer a means for the creation of complementary currencies?

BL: I am convinced that the reason complementary currencies are developing now because of cheap computing. Do you really think American Airlines would have frequent flyer miles if they needed an army of clerks trying to keep track of your miles? I don't think so. But today anybody with access to a PC can start a currency system. It isn't a coincidence that about 95 percent of the social purpose complementary currencies are electronic.

RD: So can we buy an off-the-shelf program for creating a currency?

BL: Sure. There are even different freewares already available. One of them is for operating a LETS (Local Exchange Trading System). Another one that is free of charge is to start a time dollar system. We are in the process of incorporating a non-profit foundation in Boulder, the Access Foundation, whose purpose is to provide independent information on all the different complementary currency systems that are available worldwide, and on its website one will be able to download the corresponding softwares. This website (www.accessfoundation.org) is planned to be operational early this fall.

Currently, our biggest problem with money and currencies is unconsciousness. We are not aware of what we are doing around money. We haven't really thought about what money does to us—we believe it's neutral, so it doesn't matter. But it's not neutral: it deeply shapes us and our societies. The first thing that has to happen before complementary currency systems can effect real change on a larger scale is a shift in consciousness and awareness.

RD: You mean, we need to be aware of how money works?

BL: Let me ask you this. Have you taken an inventory of the number of days you spend in life getting ready to make money? And when you have money, to manage the money or spend it? But then, think about how many hours you've thought about what money is. I suspect not very much. We are spending a huge amount of energy to get something about which we have surprisingly little understanding.

RD: Well, it's like the rain. It's something you adapt to.

BL: Yes, except that rain is not man-made. That's precisely the difference. We're treating money as if it is God-given, like rain or the number of planets in the solar system. But it isn't. If you don't like the quality of rain, there's not much you can do about it. If you don't like your money system, maybe you can do something about it.

Assume that a Martian lands in Denver on the wrong side of the tracks. He ends up in one of the ghettos and finds that the houses are run down, the kids not taken care of, the elderly in trouble, and the trees dying. He sees all these things, and discovers that there are people and organizations absolutely equipped and ready to solve every one of those problems. So this Martian asks, "What are you waiting for?" The answer: "We're waiting for money." "What is money?" the Martian inquires. "It's an agreement in a community to use something as a medium of exchange." Don't you think he may leave the planet believing there is no intelligent life here?

The point is: if money is an agreement within the community to use something as a medium of exchange, we can create new agreements, can't we? That is exactly what people are already doing all over the world. So why don't we do it here? If we're waiting for conventional currency to solve all our problems, aren't we waiting for Godot?

RD: Is this your whole campaign now? Are you through with Belgian Central Banks?

BL: I'm trying to contribute to a consciousness shift regarding money. I believe that by a small change in the money system, we can unleash huge improvements in our social system. It's the highest leverage point for change in our society, and surprisingly few people are looking at it. If you start a new complementary currency system, it can become self-perpetuating and facilitate additional transactions forever.

You know the saying, if you want to feed someone, give him a fish. If you want to really help him, teach him how to fish. This is just a fishing lesson—what you do with it is up to you. You can take big fish or small fish, or you can choose not to fish at all. You decide what issues you want to deal with in your community, and there is a currency system that can help you with it.

The Trouble With Money

print email bookmark

by Thomas Greco

There are much better ways to design money, says writer and monetary innovator, Thomas H. Greco

What's wrong with money? In order for money to come into circulation, someone must go into debt to a bank. Money is created by bank credit, which must be borrowed into circulation. When you borrow money from a commercial bank, the bank charges usury (called interest). It is this usury feature of bank credit money that is causing debt to grow exponentially throughout the world. The exponential growth of debt, in turn, puts pressure on the economy to also grow exponentially which, of course, in the long run is impossible. Among the consequences of this cancerous growth of debt are the voracious consumption of natural resources, the production of superfluous goods, and the maldistribution of wealth. Though there is a plethora of symptoms, these derive from three primary ways in which bank-credit money malfunctions.

First, is its artificial scarcity. There is never enough money to allow every debtor to pay what is owed to the banks. The debt grows simply with the passage of time as interest compounds, but the supply of money to pay those loans plus interest can only be maintained as the banks make additional loans. These new loans have the same problem. Thus, businesses and individuals are forced to compete for markets and scarce money in a futile attempt to avoid defaulting on their debts. The system requires that some must fail. Capital wealth becomes ever more concentrated in giant corporate conglomerates, which must seek higher returns on their investments. They are driven to expand their markets and dominate economies, often through government's application of military power and "covert operations" to assure the continued flow of low-priced raw materials and the availability of low-cost labor.

Second, the requirement that interestbe paid causes a net transfer of wealth from the debtor class to the moneyed class, or from producers to non-producers. Besides the direct payment of interest on their own debts, the poor and middle-class majority pay the cost of interest which must be added to the price at every stage of production. It is easy to show statistically that lower income households, because they are net debtors, pay much more interest than they receive, while those in the highest income brackets receive most of their income as interest returns on investments

Third, the money created as bank creditis mis-allocated at its source. Much of it goes to finance government's deficit spending for weapons, military interventions, and transfer payments to corporate clients. Another large chunk is used to finance such things as real estate developments, which are presumably well collateralized, but are really supported by inflated land values and overblown prospects of profitability. Thus, we find an abundance of hotels, resorts, and upscale residential construction but a chronic shortage of affordable housing.

Thomas H. Greco, Jr . is the author of Money and Debt: A Solution to the Global Crisis and New Money for Healthy Communities. Greco, a former professor, is founder/director of the Community Information Resource Center. (See Resources for more information.)

The Basic Function of Money

print email bookmark

by Jonathan Rowe

By connecting human needs and human resources, Time Dollars generate new wealth. The system also builds community as people are valued for their contributions and discover they can rely on one another.

The basic function of money is to bring needs and resources together. But the conventional money system is failing miserably in this regard. Vast human resources sit idle, while vast needs go unmet - often in the same neighborhoods, even the same block.

This has large implications for the debate over social services, health care included. Perhaps the question isn't just the government versus the market, spending more versus spending less. Perhaps we have to start asking questions about the kind of money we use. Lawmakers in Washington are busy trying to construct legislative contraptions to make the market - i.e. greed - result in better care. But just maybe, a new kind of money could give rise to a new kind of market, with care built in.

That probably sounds pie-in-the-sky. It would seem less so if you had been at an apartment house in Brooklyn on a crisp sunny day last fall. Vincent Rescigno, dapper and spry, has come to take Jean Miccio shopping, which he does once a week. He's a retired electrical worker, with spare time and a desire to help. She'd had a bad fall a few months earlier while rushing to catch a bus, and because she lives alone, getting around is a major challenge. She could easily become yet another burden on the nation's struggling health care system.

But Vincent and Jean belong to a nonprofit HMO (health maintenance organization) for seniors called Elderplan, which has a unique approach to health and care. At this HMO, members help take care of one another. They cook and provide companionship for the house-bound and infirm. They provide rides to doctors and help with shopping. Some have been trained to counsel the bereaved. There's even a home-repair service, run by an Elderplan member who is a retired contractor.

Passive recipients of medical services become active providers of health and care. People the system defines as burdens, become producers and contributors, and an insurance company turns into a community. The system works on a new kind of currency, called service credits or Time Dollars, which are spreading across the US. Service credits are a way to bring needs and resources back together - as the example of Jean and Vincent shows - and build community in the process.

The Elderplan approach addresses one of the most neglected needs among older Americans today - the "need to be needed," as Edgar Cahn of the Time Dollar Network in Washington, DC, puts it (see page 24). The market calls older people "consumers"; the government calls them "service recipients." Elderplan calls them people with a lifetime of experience and a desire to share it.

Time Dollars help to activate that experience. This in turn encourages health in the true sense of the word; health becomes an activity, something people do, rather than just a commodity bought from experts for money. Studies have shown repeatedly that community is health-maintaining. People involved in helping others are less prone to disease than those who aren't (something advocates of "market-based" policies, such as individual medical accounts, generally overlook). Rescigno notes proudly that in the last five years he's had nothing worse than a cold. "The only reason I'm as healthy as I am," he says, "is that I'm so busy helping other people."

Creating health through community In the 1980s, medical policy experts were wrestling with a stubborn fact: the nation's burgeoning medical costs weren't just a matter of doctors and drugs; social breakdown was playing a big part too. Families break up. Neighborhoods change. Children move away. The mobility that free marketeers worship was eroding the informal matrix upon which the medical care system - and society itself - depends. Much disease is borne of loneliness and isolation. Nursing homes are full of people who could easily be at home if they only had some help with daily functions.

The answer of the policy experts was a new kind of social HMO, the SHMO, which would cover certain social services along with conventional medical care. Ensure that a widower gets proper meals when he's released from the hospital, for example, and he might not return so quickly. Invest in prevention and save on cure. Congress authorized a number of experiments with this model, and Elderplan was one.

It should have been an ideal setting. Brooklyn is still a place of neighborhoods and strong social ties. Yet even here, the need for services soon proved far greater than Elderplan could begin to meet with the Medicare allotment alone. So it started thinking about the untapped resources already at hand. It wanted more than the usual volunteer program; it wanted a sense of real community, in which members help one another in a spirit of give and take.

The service credit concept offered a way to accomplish this. (The Robert Wood Johnson Foundation helped promote the concept with seed grants.) Service credits work like a blood bank, except instead of blood, members contribute time. The content of a conventional dollar is a vague promise on the part of the federal government, which is already a trillion dollars in debt. The content of a service credit, by contrast, is a neighbor's commitment to help in times of need.

When Vincent gives Jean a ride to the store, for example, he gets a credit in a computer bank that he can draw on when he needs help himself. At first it might sound crass - getting credit for helping others, which we ought to do for free. But in practice the system replicates the collective memory bank of small towns and stable inner-city neighborhoods, in which good deeds were remembered and returned in due time.

The encounter at the Brooklyn apartment is an example. This simple act of neighborliness was actually part of a growing web of reciprocal help and care. Jean used to provide rides and help with shopping for another Elderplan member. Now that she's laid up, Vincent helps her. She in turn makes "telephone reassurance" calls to an older member who is more isolated than herself. "It's helpin' one another out, like a family," said Herbie Fine, an Elderplan stalwart until he died a few years ago.

There were skeptics in the beginning. The frequent response was, "You really think people are going to contribute volunteer time to an insurance company?" recalls Mashi Blech, a senior manager at Elderplan.

Today there are some 125 active volunteers, who put in between 800 and 1,000 hours per month. (Many additional hours go unreported.) Since 1987, the program has provided at least a half-million dollars worth of care (and probably many times that in uncredited services) that the HMO couldn't have afforded otherwise. To the extent the extra care at home helps keep members out of nursing homes, the savings are much more. A study of one Social HMO in California found that members resorted to nursing homes at about half the rate of Medicaid recipients nationwide - and that was without the kind of volunteer program that Elderplan has mustered.

Such statistics have obvious appeal to legislators and medical care administrators. With nursing home costs running $35,000 to $40,000 a year or more, the potential savings are not small.

Friends helping friends Far more important, however, is the increased quality of care that members can provide one another. There are, for example, the subtle sensitivities of aging that get lost in the debates over spending more versus spending less. Many older people don't like to deal with professional social workers.

"They don't want to talk to some young girl in her 30s about the death of their husband," says Dorothy Gochal, an Elderplan peer counselor who thought she had nothing to offer until Elderplan came along.

Fellow members, by contrast, connect to one another like friends. They understand the problems of getting older because they are going through those same problems themselves.

"When people hear the word Ã”counselor' they think Ã”professional'," Gochal says. "But when they find out that we are ordinary people, the same age, and Brooklynites - oh my, you really have an in."

Moreover, fellow members sometimes pick up cues that professionals might miss. Vincent is helping an older man who was severely depressed and talking about suicide. One day he went with the man to an auto repair shop and noticed that the man's mood improved greatly when he got out of his house. After that, instead of meeting at the house amidst the ghosts of the past, they met at a coffee shop. The man no longer talks of suicide, and his outlook has been steadily improving.

This kind of instinctive response to another's need goes directly against the dominant trend in medicine today, which is to declare people "depressed" and treat them with drugs.

"Managed care is coming to the view that drugs may be the cheapest form of care," William Steere Jr. of Pfizer Inc., told Business Week recently. Cheap, no doubt, but also penny wise and pound foolish, not to mention chilling in its larger implications. Over-drugging has become a pervasive problem; some 32,000 hip fractures and 16,000 car accidents a year stem from the use of prescription drugs to treat the elderly.

The Elderplan model offers a way to reverse that dehumanizing process and to tap human resources that the current system ignores. Avis Rhodes, for example, is a serene and sunny woman who speaks with the soft inflections of the Caribbean. She used to be a psychiatric nurse, and through Elderplan she is able to put her skills to use. The day I spent with her, she took a long bus ride out to Coney Island to work with a Jewish woman in a nursing home. The woman had been a terror to the staff, but after Rhodes started visiting she became more cooperative and friendly. "They open up and tell you things they would not tell their families," she says.

Then there's Ray Hughes, a retired merchant seaman with the warm caring manner of a parish priest. Hughes went through the peer counselor training program and now leads a support group for members with problems at home. The group meets in a church function room, complete with supermarket pastries and instant coffee.

The day I attended, they talked about problems with spouses who were failing or abusive. Caring for a spouse with Alzheimer's is a grueling, thankless task. "Alzheimer's involves two patients, the one who has it and the one who takes care," Hughes says. "The caregiver is the one in crisis."

That was apparent from the people around the table. Some felt angry at their spouses, and guilty for feeling angry. Some were simply overwhelmed. The sense of comfort and release was palpable; here were others who understood. Hughes kept the meeting moving with a light but firm hand, always guiding the discussion towards positive steps.

"It's almost as though I came to Elderplan so I could learn how to cope with my own problems - which there was no way to predict," Hughes says. When one of his sons died, there was no shortage of fellow members to offer comfort and support.

The service credits themselves don't matter much to members like Hughes. But for others they serve as a kind of scorecard, an affirmation of a job well done. They also remove any stigma of charity; members feel they earn the help they receive, or will pay it back if they possibly can.

The credit system also provides a flexible growth dynamic that bureaucratized programs lack. The system evolves spontaneously like the market, but in response to human need rather than monetary "demand."

A few years ago, for example, an Elderplan member broke the towel bar he used to get in and out of the bathtub. The man was in his 90s and beside himself with worry. But then another member, a retired contractor, fixed the bar. This incident evolved into a home-repair service, which has now become a home-inspection program to catch unsafe conditions before they result in accidents.

There are physical fitness classes and arthritis counseling for the homebound, conducted by volunteers through conference calls - all connected to the service credit system.

Money that taps community capacity The Elderplan approach raises basic questions about the role of money in economic and social change. Is it possible that the nation's problems are grounded not just in what we spend money on, but in what kind of money we use?

Money isn't just a means to carry out transactions, as economists say. The kind of money we use determines, in large measure, the kinds of transactions that occur, and the kind of economy that results. Conventional money is a means of transaction between strangers, and so encourages an economy in which people deal with one another in that way - an economy of Wal-Marts instead of Main Streets, overseas sweat shops instead of production closer to home. Conventional money knows no loyalty to locality or even country, so it tends towards a global economy in which traditional social bonds give way to a rootless quest for the highest monetary return.

Service credits are a way to reverse that process. They have a social content and so offer a concrete way to rebuild the nonmarket economy of family and community that the market tends to erode. They provide a counterweight to the centrifugal forces of the money-driven global market.

As an alternative currency, service credits also point toward a new model for social services. John McKnight of Northwestern University has observed that the prevailing social service system mimics the corporate marketplace, in that it is based upon a "need for need." Too often, government programs stem from the need of professionals to keep busy rather than the need of the poor to be well. The result is a belief that "the malady is in the person and the cure is achieved by professional intrusion into that person."

Service credits, by contrast, start from the premise that people and neighborhoods have capacities as well as needs. Participants become "co-producers" - in Edgar Cahn's term - of the improvements the programs are trying to achieve.

The approach does not deny the need for services; rather it turns recipients into active providers of services. This approach is spreading rapidly around the country. In St. Louis, a social service organization called Grace Hill has used service credits to build a bustling local economy in which some 3,000 participants will earn over 50,000 credits this year, for everything from child care to car repair. Participants also can use service credits to buy household items at two simple stores, stocked through donations. The work will qualify under the new welfare bill.

In the South Bronx, an employee-owned home care provider called Cooperative Home Care Associates, is developing a service credit program to meet the needs of both individual workers and the organization as a whole. The program will provide daycare for the children of the owner-employees, most of whom are former welfare recipients. It will also encourage time-barter among the staff. "Time Dollars represent a way to create a sense of connection among people as we grow," says Rick Surpin, president of CHCA.

For Elderplan, perhaps the most important part of the co-production model is the way it redefines health from something bought for money to something people do. Mashi Blech, a senior manager at Elderplan, tells the story of a member who spent his days alone in his apartment. He was a double amputee and partly paralyzed by a stroke, and social workers determined that he needed home visitors. But when Blech called to match him with a volunteer, she found a man who was "full of life and energy and enthusiasm." Instead of sending him a volunteer, she asked him to be one.

So the man, a former real estate salesman, became the coordinator for a team of volunteers. Blech arranged his transportation to the Elderplan office, where he helped with paperwork and trained to become a telephone counselor. The man was certified for a Medicare-paid nursing home, which would have cost the system some $35,000 a year. Instead, he spent his final days lighting people up with his humor and zest.

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