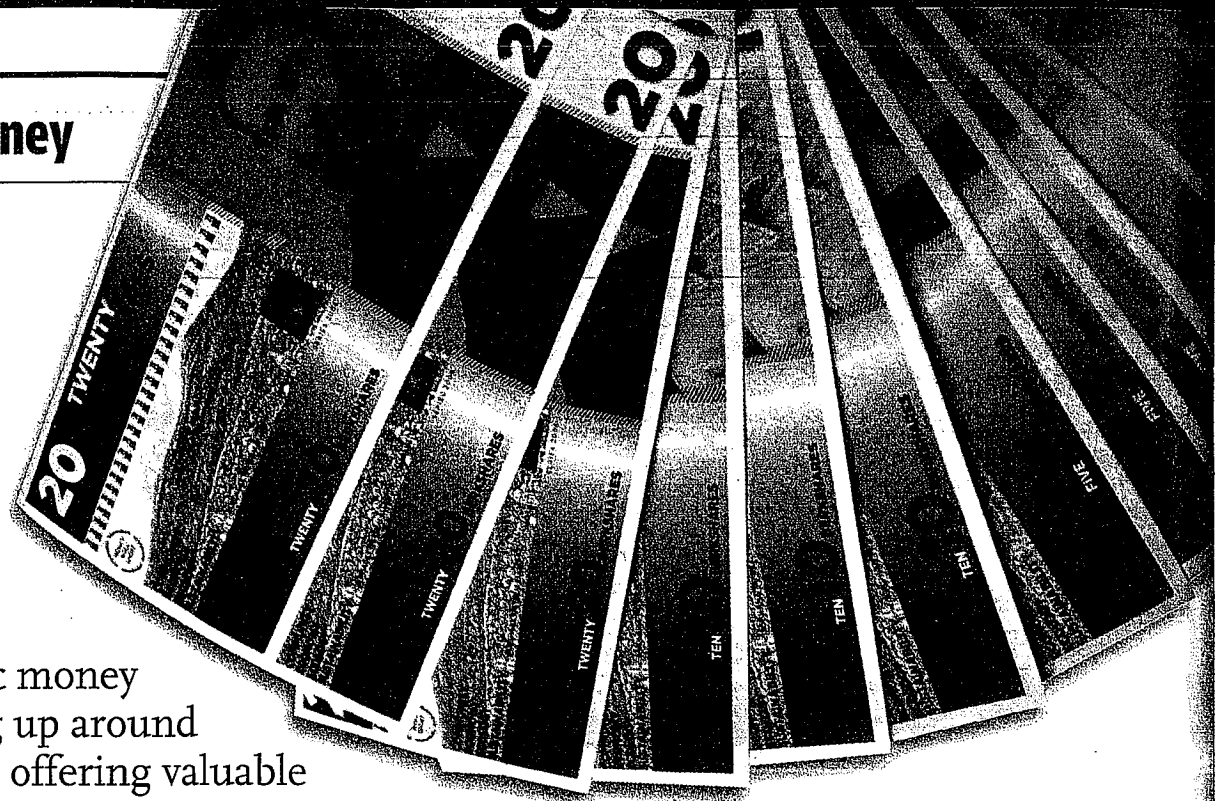




Money



City-specific money is sprouting up around the country, offering valuable discounts to residents who have shared the pain of economic collapse.

Recession Currencies Rise

By Dan Weil

WITH THE AMERICAN DOLLAR FLAGGING and the nation's economy in a tailspin, there's a new trend catching on fast: local currencies. They are a great way for communities to help stabilize staggering businesses.

"With the failure of the promises of the global economy, there's a

huge interest in local economies and how to build them," Susan Witt, co-founder of the country's biggest local currency, tells Newsmax.

That currency, called BerkShares, began three years ago in the Berkshire region of Massachusetts. It has been used in more than \$2.5 million worth of transactions.

The BerkShares work like this: A consumer can go to one of the participating 12 bank branches and exchange \$95 for 100 BerkShares.

The consumer then can spend the BerkShares just as if they were dollars at any of the 360-plus businesses that accept them. Of course, the consumer will be getting a 5 percent discount.

The business that receives the BerkShares can either spend them at another business that accepts them or

cash them in for U.S. dollars at a participating bank. The bank then will give \$95 in exchange for 100 BerkShares. So whichever business that decides to cash in BerkShares for dollars has given its customers a 5 percent discount.

About 12 other communities are working on local currencies, Witt says. She is consulting with government officials in Newark, N.J., and nonprofit organizations in New Orleans and Alaska about starting their own currencies.

"Just like the growth of the local food movement, we're seeing a corresponding growth in a movement for local economies," she says, adding "We have put so many of our eggs in the global basket that there is a recognition we have to balance that with more attention to regional economies and citizens initiatives to build them." That thinking has led to the adoption of local currencies, she



MONEY TALKS A shopper in Great Barrington, Mass., discusses local BerkShares currency.

MONEY/DARREN MCCOLLETER/GETTY IMAGES / SHOPPING/AP IMAGES

WITT/AP IMAGES / SCHUMACHER COURTESY OF SOPHIE BAKER

says. Other currencies include Ithaca Hours, Detroit Cheers, and North Carolina Plenty.

Local currencies are completely legal, of course, as long as income earned through them is taxed and they don't include coins. In addition, of course, counterfeiting must be prevented. "In the last 30 years, local currencies have appeared usually during times like this — recession," financial expert Robert Bench tells Newsmax.

"They're intended to promote a local economy and keep people off the interstate driving down to a big-box store," says Bench, a senior fellow at Boston University's Center for Banking and Financial Law. "So they're promoting consumption of local businesses."

The currencies do succeed at "keeping consumption local and helping small businesses and shops in troubled times," Bench says, adding, "There's a social dimension. Otherwise, you look for the lowest price at big shops during the bad times."

Thomas Hoebbel, who has a photography business in Ithaca, N.Y., can testify to the social dimension. He uses Ithaca Hours, a currency created in 1991. Each Ithaca Hour is worth \$10.

Businesses and people who are part of the Hours system can exchange dollars for Hours at an Ithaca bookstore and then go on to spend the Hours at local businesses that accept them.

There are some limitations: Hoebbel generally will accept 25 percent of customer payments in Hours. He has spent them on everything from a Web designer for his business to a farmers market to local restaurants.

"If someone spends Hours on me, they know the money gets spent locally," Hoebbel tells Newsmax. The money gets turned over more quickly because it doesn't earn interest and can't be used as an investment.

"Instead of sitting on them, you spend them, and they circulate," Hoebbel says. "You end up with a richer community. The spending at the farmers market means you have more organic produce than you otherwise would. If the farmer goes out to a nice dinner [and pays with the Hours], then the restaurant owner has more income."

For customers who are nonprofit organizations or friends, Hoebbel will accept 50 percent or more of payment in Hours. Few businesses are willing to accept 100 percent of payment in Hours because they have many expenses that can only be paid in dollars.

The success of the local currencies depends on the "community spirit" in the areas that adopt them, Bench says. "If it's truly a cooperative effort, you can probably do it on a small scale."

But the long-term outlook isn't promising, he says. "The history has been that the currencies don't last beyond recessions. That's probably a function of members being unwilling to continue discounts. There is no reason to feel it will be different this time around."

But Ed Collom, who has studied the currencies as a sociology professor at University of Southern Maine, disagrees. "People get attached," he tells Newsmax.

"There's a social connection, bringing people together. You aren't just exchanging services: you're creating a community." □

"They're intended to promote a local economy and keep people off the interstate driving down to a big-box store."



A CASE FOR HYPER-LOCAL ECONOMIES

▶ ALTHOUGH SOME REGIONS view a local currency simply as a means to support local businesses, Susan Witt, co-founder of BerkShares, sees it as the first step to an autonomous regional economy.

Indeed, "Linking people, land, and community by building local economies" is the motto of the E.F. Schumacher Society she directs in Great Barrington, Mass.

The 20th-century economist for which the society is named maintained that "the most resilient kinds of economies are those in which items consumed locally are produced locally," Witt tells Newsmax. "Instead of reliance on centralized production, a more sustainable approach is a more self-reliant regional economy."

Witt envisions a region with its own reserve board, just like the Federal Reserve. So a currency would be only a step in the process.

Asked whether the idea of a self-contained local economy is feasible in this day and age, Witt responds, "I think it's essential." The global financial crisis points to the need for more localized economies, she says. — D.W.

