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Tough Times Lead to Local Currencies

By Judith D. Schwartz

With local economies flailing, communities across the U.S. are trying to drum up more action on Main Street. "Buy Local" campaigns are one way to go. But many towns--from Ojai, Calif., to Greensboro, N.C.--are considering going a step further and printing money that can only be spent locally.

Issuing an alternative currency is perfectly legal, as long as it is treated as taxable income and consists of paper bills rather than coins. In the U.S., where local currencies were popular during the Depression, the biggest alterna-cash system is in Massachusetts' Berkshire County. Go to one of several banks there, hand a teller \$95 and get back \$100 worth of BerkShares, a nice little discount designed to reel in users. BerkShares are printed on special paper (by a local business, naturally--a subsidiary of Crane Paper Co., which has been printing U.S. greenbacks since 1879). And since the program's inception in 2006, more than \$2.5 million in BerkShares have circulated through bakeries, vets' offices and some 400 other businesses that choose to accept the colorful bills, which feature famous former Berkshire residents, including W.E.B. Du Bois and Norman Rockwell.

What's the point of all this pretty, community-printed currency? Money spent at locally owned companies tends to create more business for local suppliers, accountants, etc. The New Economics Foundation (NEF), a London think tank, compared the effects of purchasing produce at a supermarket and at a farmer's market and found that twice the money stayed in a community when folks bought locally. A study of Grand Rapids, Mich., released last fall by consulting firm Civic Economics, concluded that a 10% shift in market share from chain stores to independents would yield 1,600 new jobs and pump \$137 million into the area. "Money is like blood," says NEF researcher David Boyle. Local purchases recirculate it, but patronize mega-chains or online retailers, he says, and "it flows out like a wound."

Interest in cash alternatives has skyrocketed in recent months (BerkShares.org logged nearly 42,000 hits a day in April) as the recession has encouraged more innovation. For example, a Vermont business association is getting ready to launch a statewide cashless trading network. Ithaca, N.Y., which has the

nation's longest-running independent currency, agreed in June to let people start using the 18-year-old bills to buy transit passes.

But how hard is it to manage and maintain these trade boosters? Ed Collom, an associate professor of sociology at the University of Southern Maine, has studied volunteer-run programs like Ithaca's and found that about 80% failed, chiefly because of administrative burnout. That's why many newer models, like BerkShares, are now set up as nonprofits, complete with administrative support.

Beyond spurring local trade, alternative currencies build awareness about the effect of consumers' choices. "It has started a conversation: Why local currency? Why buy local?" says Oliver Dudok van Heel, who last fall helped launch the Lewes pound to help a British town become more self-sustainable.

Local currency can generate customer loyalty, but not every business feels as though it can offer a discount like the one built into BerkShares. "They just aren't viable for us," says Beth Parsons, whose family owns a grocery store in Lenox, Mass. But as a consumer, she likes the idea. Parsons recently drove to a nearby town to buy some shoes instead of getting them online. Afterward, she says, she passed a BerkShares sign "at the bank and thought, 'Oh, I should've bought BerkShare bucks to save money on these.'"

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