www.ijccr.org · ISSN: 1325-9547

Boyle, D. (2011). Preface 2011 (Volume 15 Special Issue): Yet Another Moment of Truth. *International Journal of Community Currency Research 15*(D), 1-3.
https://doi.org/10.15133/j.ijccr.2011.012

Editorial:
Yet another moment of truth?

David Boyle

Fellow of *new economics foundation* and co-founder of Time Banking UK
www.david-boyle.co.uk

IJCCR

"It is a slow day in the small Saskatchewan town of Pumphandle and streets are deserted. Times are tough, everybody is in debt, and everybody is living on credit.

A tourist visiting the area drives through town, stops at the motel, and lays a $100 bill on the desk saying he wants to inspect the rooms upstairs to pick one for the night. As soon as he walks upstairs, the motel owner grabs the bill and runs next door to pay his debt to the butcher.

The butcher takes the $100 and runs down the street to retire his debt to the pig farmer. The pig farmer takes the $100 and heads off to pay his bill to his supplier, the Co-op. The guy at the Co-op takes the $100 and runs to pay his debt to the local prostitute, who has also been facing hard times and has had to offer her services on credit.

The hooker rushes to the hotel and pays off her room bill with the hotel owner. The hotel proprietor then places the $100 back on the counter so the traveler will not suspect anything. At that moment the traveler comes down the stairs, states that the rooms are not satisfactory, picks up the $100 bill and leaves.

No one produced anything. No one earned anything. However, the whole town is now out of debt and now looks to the future with a lot more optimism. And that, ladies and gentlemen, is how a 'stimulus package' works."

The above story is an online joke, or perhaps internet inspiration, that was doing the rounds of the internet this past autumn. Judging by the place names and the settings, it originated in North America. What is fascinating about it is that it isn't really new.

A similar story was told during the early years of the Great Depression in the USA by a man called Charles Zylstram. Similar, but with a crucial difference. In the Zylstram version, the story ends with a twist when the salesman who deposited the $100 note in the safe takes it out again and lights his cigar with it.

"Counterfeit," he said. "A fake gift from a crazy friend."[1]

The original story isn't about stimulus packages; it is about the possibility of creating your own money. Zylstram went on to launch the first stamp scrip project in the USA, the idea borrowed from Austria whereby the town issues its own money, which requires a small payment ever month to keep its value. This innovation is known as 'negative interest' money, because it encourages people to spend rather than save. Or to complementary currency aficionados everywhere, it is known as 'demurrage currency'.

The idea, and the story, were picked up by the one of the leading economists in the world, Irving Fisher, and used for his manual Stamp Scrip, published in 1933 – just as such schemes were being declared illegal by the new president, Franklin Roosevelt, which must have dampened sales.[2]

It is significant that no copy of Stamp Scrip exists anywhere I've looked for it in the UK, certainly not the British Library. That is a measure of how much the mainstream failed to learn about the idea of new kinds of money. As for Charles Zylstram, I've never been able to find out anything else about him. The only two mentions of him on the internet, as I write, were both in books by me (this will be a third).

But it is also significant, I believe, that Zylstram's story should suddenly resurrect itself now, in a moment of similar economic peril, when people are once again considering seriously what weapons – intellectual and

International Journal of Community Currency Research

www.ijccr.net

practical – they might have for meeting their own needs, and those around them, if the economy sinks.

New money entrepreneurs are always optimistic. They always believe they are at the very cusp of change. Visit the annual Digital Money Forum, an international event held by the leading electronic money consultancy Consult Hyperion, is to plunge yourself into this same atmosphere of expectation.[3] The complementary currency world, electronic or knitted, on constant watch for the expected messiah.

So you have to take any predictions along these lines with a pinch of salt. We have been here before; we will undoubtedly be here again. But the articles in this issue of IJCCR are evidence that this is one of those moments of possibility. The rise of Chiemgauer in Germany, the success of the Brixton pound in London, the adoption of community currencies by the Brazilian central bank, are all symptoms of an emerging possibility.

There is no doubt at least in my own country, that the political and economic changes that are happening, could lead to a huge upsurge of innovation in new kinds of money. The euro crisis. The new local government settlement. The unprecedented new powers given to local councils in the UK under the Localism Bill. All these make innovation possible in new ways.

There are other drivers of change as well:

- The existence of a whole range of online platforms and businesses which could easily launch new kinds of money for far broader use. It is possible to imagine eBay doing so – in fact, they already own the PayPal payments system. Facebook is already working on its own payment system.
- The urgent need that small businesses have for credit, given that the narrow oligopoly of banks – in the UK at least – are steadily withdrawing from the small business market.
- The fascination with payment systems – another symptom of the rigid disinterest of the mainstream banks – among internet entrepreneurs. Twitpay, Obopay and Square, are just three of those reported recently in Wired magazine, many of which use mobile phones, which is especially important thanks to the rise of the M-PESA mobile phone payment system in Africa.

> **So you have to take any predictions along these lines with a pinch of salt. We have been here before; we will undoubtedly be here again. But the articles in this issue of IJCCR are evidence that this is one of those moments of possibility.**

- The growing realization by local government in the UK, not just that they can act, but that they must do. Birmingham and Essex have already launched their own banks, Birmingham in a fit of nostalgia for the Birmingham Municipal Savings Bank which had 66 branches across the city until it was swallowed up into the belly of the Lloyds group. Oyster is the precedent here; an innovative payment system that is hugely popular.

All these look set to shift the agenda. None of them are complementary currencies, but they are potential drivers for them. But we also have to look at the other side of the coin, so to speak.

Despite the optimism that is bound to emanate from journals like this one, it is obvious that – time after time – even the successful currencies tend to rise and fall without quite reaching their potential. Even those like Regiogeld that are described in this issue are not exactly thriving. The upsurge in Japanese currency experiments, some of them bizarre gimmicks to Western eyes, seems to be slackening.

It hardly needs saying, but there are a whole range of blockages which constantly prevent innovation in this area, even if it is just the simple lack of imagination which seems to surround the fearful issue of money.

This is a particular problem in the UK. This isn't necessarily so of the Scots, who have produced a string of money innovators from John Law to Michael Linton, but the English are conservative about money that the point of caricature. I was told by the Washington correspondent of a national paper some years ago, with great authority, that money was based on gold. Politicians are hampered dealing with the banks by the widespread assumption they seem to share that money and banks were shaped and given by God some time during the first seven days of creation. It hardly needs saying that this gets in the way of new kinds of money.

If you add to this the two other big blocks on the development of complementary currencies – the lack of precedent and the way that UK local government has recruited for blind obedience to process over the past generation or so – and there is a problem. There are a whole range of energetic and innovative groups developing new kinds of money in the UK, but a dispassionate observer would have to say that real innovation is more likely to take place somewhere else.

There is one more problem which constantly frustrates the process of innovation. The truth is that the people who are most excited about new kinds of money tend not to be the people best suited to launch them. They are enthusiasts and mavericks, not bank managers or marketers. They are excited by complexity when what is badly needed, above all else with new kinds of money, is simplicity. They want to solve the entire monetary problem at one stroke with one highly complex invention, when the truth is that what is really needed is a whole range of innovations which – together – might make a difference to the way we live.

It isn't possible to predict where that right combination of skills, inspiration and downright need will happen. But I believe it is possible to say the sectors where this most likely to happen here in the UK:

- **Council money.** Local authorities will have the legal power, under the Localism Bill, to anything that an individual can that is not specifically banned by other laws. This general power of competence, combined with the urgent need for them find new ways to invest and use their reserves (high-interest Icelandic banks are inexplicably no longer available) make councils a key target for entrepreneurial currencies. This is especially so since they have lost an average of 14 per cent of their budget. Complementary currencies could make the other 86 per cent go a great deal further.
- **Credit money.** What the small business sector urgently needs is low cost credit, which they are no longer getting from conventional banks. The real opportunity for complementary currencies is to make this credit available, and it is hard to imagine them really capturing the imagination until they manage to do this. That is the direction of travel for the Transition Town currencies, and it won't come a moment too soon.
- **Business barter money.** My own prediction is that these previous two possibilities will combine in the form of local authority-led business barter currencies along the lines of the Swiss Wir model or Bavarian Sterntaler (see Christian Thiel's article in this issue), and starting in cities. Australia and North America already has small business barter, so there is an obvious gap here – especially if combined with loans through a new local authority bank.
- **Social networking money.** I can imagine Facebook money, shared between friends – or at least those virtual friends who need something more than simple trust. The online communities already exist and are crying out for a purpose beyond themselves. The point about this innovation, like other successful internet innovations, is that it must be flexible enough for communities or neighborhoods to use it in whatever way suits them best.

Will this happen? Well, I'm an optimist. I believe it is that if you build these, people will come. Whether they will use them as intended, or obey the complex rules, well – that's another matter.

David Boyle is a fellow of the New Economics Foundation, co-founder of Time Banking UK, and the author of a number of books about the future of money including Money Matters and, most recently, he is co-author of Eminent Corporations.

www.david-boyle.co.uk

Endnotes

[1] Quoted in D Boyle (2002) (ed.), The Money Changers: Currency reform from Aristotle to e-cash, Earthscan, London, 240.

[2] I Fisher, H Cohrsson and H Wescott Fisher (1933), Stamp Scrip, Adelphi, New York.

[3] See www.hyperion.co.uk.