



local/Independent currencies



what are they?

Sometimes called alternative, complementary or community currencies, they're currency schemes created by communities to run alongside the national currency. They can be used to purchase goods and services locally, but are not legal tender (i.e. they can't be used to pay taxes).

History: in the early Middle Ages in central Europe, metal coins/tokens called bracteates were distributed locally. These were recalled regularly, with a small deduction - to dissuade people from hoarding them, so they were used as a medium of exchange rather than a store of value (this is still a benefit of local currencies).

As nation-states formed, they introduced a monopoly on the issuing of currency. During the English Civil War, the state lost control of the supply of money, and traders produced tokens for local goods and services. These were banned when the monarchy was restored.

In the remoter areas of the US in the 18th and 19th centuries, workers in logging or mining towns were often paid by in 'scrip' (vouchers redeemable in the company store). Companies raised prices to fleece workers, who had no alternative sources for the necessities of life. This practice didn't become illegal until the middle of the 20th century. Independent currencies have often been set up in reaction to economic crashes or conflict. Several schemes were set up in German-speaking countries during the Great Depression. The town of Wörgl in Austria was the venue for a famous experiment with a local currency in the early 1930s. They increased employment, eradicated inflation and allowed infrastructure projects and new businesses to bloom. 200 municipalities lined up to copy it. The central bank panicked at its potential loss of monopoly, and 'emergency currencies' like Wörgl's were banned.

The WIR scheme started in Switzerland in 1934, to provide liquidity to SMEs when official currency was hard to obtain. It's now a co-operative bank, still with its own currency, and over 60,000 users. Since the 1950s, alternative schemes including mutual credit (LETS) have been big in South America. In the 90s, the Banco Palmas was formed in Brazil, which influenced the development of independent currencies in the UK. A fishing community was moved inland to free up land for sea-front properties, so they were forced to set up new enterprises. They found that any funds that entered their community soon left again as it was spent elsewhere, or was siphoned out from the branches of corporations. They created a community bank with their own currency, and money stayed in their local community.



Local currency notes from various countries.

After Argentina's national currency crashed, many local currency schemes appeared, holding value in local notes rather than the state currency.

In the UK, the first local currency scheme was launched in Totnes in 2007. Schemes followed in Lewes in 2008, Brixton in 2009 (followed by electronic currency in 2011), and Bristol in 2012.

Local currencies today: now there are over 40 schemes in the UK, and around 5000 internationally. There are so many types that it can almost be said that each scheme is unique. In Hull they have a cryptocurrency called Hull Coin. Spice Time Credits is a form of time banking that is national. In Cardiff, the local football club, Cardiff City are part of it, and for a few hours volunteering in (say) the local library, you can get a free ticket to watch them play. LETS / barter schemes can be seen as a type of local currency, and in Hay-on-Wye, they have a voucher scheme, with gift vouchers that can only be used locally - in effect, a local currency (although vouchers can be used with more than one company). Different schemes work better in some areas than others, depending on local circumstances.

Legalities: the Bank of England sent people to visit Bristol Pound. They were worried that people might get confused between Sterling and the local pound, but they ended up being quite positive, and classifying them as gift vouchers. Currencies have to be regulated by the Financial Conduct Authority's e-money payment regulations if they're electronic, and in Bristol, they're regulated via their relationship with the Bristol Credit Union. They're offering regulatory assistance to other schemes, or allow them to operate under their regulatory protection so that they don't have to go through the registration process themselves. The FCA appear to be quite open to the idea, and happy to support innovative financial products. Local currencies go through business accounts the same way as Sterling, and tax is paid on transactions and income in the same way (but in Sterling). To accountants, it's just money.



Tokens issued in Southwark by John Ewing (a local tobacconist) during the English Civil War.

what are the benefits?

Most money in any community today is spent in corporate branches. A large percentage of this money leaves the community to pay for head offices, distribution networks and dividends to shareholders (these are often called 'extractive' companies). Local currencies stay in communities, and are spent over and over again, strengthening the local economy (via the local multiplier effect).

Local currencies are intended to be spent, not saved or lent, so they accrue no interest and there is no inflation or speculation. They only work when used - a local currency is a means of exchange, not a store of wealth. National currencies accumulate interest and can be invested for profit, and so are almost designed to be hoarded. Poverty is by definition a lack of money, but this doesn't mean that there's no useful work to do. Local currencies and mutual credit systems can alleviate poverty by allowing people to work to acquire the goods and services they need without any legal tender changing hands.

But the benefits are more than economic. They also strengthen communities through personal contact. There's a personal quality to interactions with a local business that's not possible with a corporate branch, where the staff don't have time to chat, they're not generally knowledgeable about the business, and frankly, don't care.

A community based on local businesses has a unique flavour. Small shops create far more (and far more interesting) jobs than superstores; plus supply chains are shortened, reducing emissions and environmental damage.

They also educate users about what money actually is, how it travels through society and who controls it.

what can I do?

Join a scheme: check the Independent Money Alliance website, or get in touch with them to see if you have a local scheme. The Complementary Currency Resource Center has a database too.

Start a scheme: do some background reading first. The difficult part of setting up a local currency scheme, according to the people who've done it, is to get your community supporting it. The printing / electronic / regulatory tasks are not that difficult, especially with the help of the Bristol Pound (see above). The advice is to start small and then try to draw more people in.

Get in touch with an existing scheme and offer to volunteer. You'll learn a lot from the inside.

Paper-based currencies are made available from local outlets, and with electronic currencies, locals sign up for an account online or via mobile apps. Sterling is paid in, and local businesses take payments in the local currency. Incentive schemes can include local businesses offering discounts for payments in local currencies, or discounts offered when currency is purchased.

resources

- lowimpact.org/lowimpact-topic/local-currencies for info, courses, links, books, including:
- CCIA, *People Powered Money*
- David Boyle, *Funny Money*
- Kennedy, Lietaer & Rogers, *People Money*
- bristolpound.org, Bristol Pound
- independentmoney.org.uk, Ind. Money Alliance
- complementarycurrency.org, Complementary Currency Resource Center



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