The End of Money and the Future of Civilization
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Chapter Thirteen

Beyond Political Money:
Good Intentions Are Not Sufficient

A currency, to be effective, must be SPENT into circulation.
— Thomas H. Greco, Jr

Private exchange media have always existed; centralized government and bank monopolies are relatively new. Indeed, in times past, there were many different exchange media that circulated simultaneously, and for a time, each bank was responsible for the issuance and redemption of their own banknotes. There are also numerous historical precedents for non-bank currencies. The monetary stringency of the 1930s Great Depression stimulated creativity and the emission of a great many issues of "scrip," and there are entire catalogs that list the many kinds of privately issued scrip, vouchers, notes, and coupons that have circulated as payment media.[1] Many of these are described in Chapter 8 of my earlier book, *Money: Understanding and Creating Alternatives to Legal Tender*.[2]

Besides private currencies, credit clearing arrangements also have a long history, as we mentioned in Chapter 11. In modern times one of the most significant mutual credit-clearing systems has been the WIR Economic Circle Cooperative (since renamed and morphed into the WIR Bank) which was organized in Switzerland in 1934 (of which we will have much more to say in the next chapter). That was followed a few decades later by the proliferation of commercial "barter" exchanges, properly called "trade exchanges," that arose in the US and other countries. and have spread around the world. With improved standards of practice and growing market acceptance, these have steadily grown in scale and importance. These, too, will be discussed in greater detail in a subsequent chapter.

Other private credit arrangements that have arisen in more recent decades include a plethora of local currencies, Time Dollars, LETS systems and other variations on those themes, all of which have numbered perhaps in the thousands, although many have not survived and only a few have managed to thrive. There has been growing global recognition of the need for exchange alternatives and many have gotten considerable amounts of journalistic coverage, even in mainstream publications like the New York Times, the Wall Street Journal, Time magazine, and The Guardian (UK), plus news reports on many TV and radio channels and networks.

A new and growing wave of activist energy is being directed toward making the money problem once again a political issue, with the objective of changing the dominant national monetary and financial systems. In this, there has been particular emphasis on the matters of usury and interest, metallic money, cryptocurrencies, and real value standards. Former Congressman Ron Paul's ongoing efforts, especially his candidacy during the 2008 presidential campaign, have been particularly significant in raising this issue in the United States, while in the United Kingdom and Europe similar efforts by various groups and members of Parliament to raise awareness have been ongoing for many years. While prior efforts to reform the dominant monetary and banking system through the political process have been wholly unsuccessful, the issues they have raised have guided the design of private, free-market exchange options.

Two Currents of Alternative Exchange

There are two distinct "currents" in the present movement toward alternative exchange and non-monetary payment mechanisms. They are (1) the grassroots, noncommercial, community-oriented currencies and mutual credit systems and (2) the commercial, business-to-business trade exchanges, examples of which were mentioned above. These will be considered in turn. Encouraging as these developments might be, none of the grassroots alternatives, with a couple of notable exceptions, has managed to become a significant economic factor, and the commercial segment of the movement, while having achieved a considerable measure of success, has barely begun to realize its enormous market potential. Both the grassroots and commercial "currents" have been limited by some serious design and management deficiencies.

Many local currencies and LETS systems have been launched with a flourish of enthusiasm only to fall back into oblivion. The typical pattern is initial enthusiasm by the organizing group and rapid growth in participation, followed by volunteer burnout and a slow, steady decline in both trading volume and number of participants. A system is rarely formally declared to be defunct; more often it simply limps along in the background with little trading and a much-diminished participant base, then eventually fades away. Even well-designed systems can experience the same pattern of decline, as I can attest from personal experience.

The Tucson Experience

By the time I arrived in Tucson, Arizona, at the end of 1989, a mutual credit clearing system—called LETSonora—had already been launched a few months earlier. LETSonora was started by David Koressel, a social entrepreneur who also happened to be a professional accountant. David's excitement about LETS was triggered by an article that I had coauthored with Michael Linton, the creator of LETS, that was published in the Whole Earth Review in 1987.[3] As soon as I learned about the existence of LETSonora, I joined the core team and helped to run the system until it finally ground to a halt some time in 1993. During that time, despite considerable inputs of volunteer labor, the membership never grew beyond about forty members and the monthly trading volume never exceeded more than a few hundred dollars.

A few years later, I began a series of discussions with some local activists with the intention of introducing them to the possibilities of using in-kind donations from local merchants to back the issuance of vouchers that might be used to support local charities and nonprofit groups, vouchers that could also circulate as a supplemental local currency, a type of voucher that I had described in an earlier book.[4] This was to be a type of arrangement that Michael Linton and Ernie Yacub referred to as "Community Way." That idea did not interest the people I was talking to, but they **were** interested in starting a mutual credit clearing system. I cautioned them about the difficulties and risks, and described to them our earlier experience with LETSonora, but they were enthusiastic and eager to try it—arguing that it wouldn't take much work to set up a ledger of accounts and that conditions might now be right for it to achieve critical mass. I agreed to act as an advisor but made it clear that I would not be involved in the administration. Thus, was launched Tucson Traders.

It was easy to create a set of accounts to keep track of trades among the twenty or so initial members. It started with a handwritten ledger that required only a notebook and a pencil. The notebook contained a page for each account holder on which their trades would be recorded, and which would show their running account balance. Each page looked something like that shown in Table 13.1.

Mutual Credit Clearing Exchange

Account Record

Member Name: Michael J. Number: 017

Date	Provider	Recipient	Item Description	Transaction Amount	Account Balance
					0.00
May 2	011	Self	Garden veggies	- 12.	- 12.00
May 8	Self	019	Bike repair	+ 14	+ 2.00
May 11	004	Self	Dental services	- 50.	- 48.00
May 14	Self	008	Used bike	+ 30	- 18.00

Instructions:

All accounts begin with a balance of zero.

When you make a sale, provider is "self;" transaction amount is positive.

When you make a purchase, recipient is "self;" transaction amount is negative.

Update your balance by making the appropriate addition or subtraction from the previous balance.

Table 13.1 A Typical Mutual Credit Account Page

It was decided that the accounting unit would be called a *Tucson Token* (TT), and that each token would have a value equivalent to one U.S. dollar. It was also decided that, in the absence of any data upon which to decide initial lines of credit, each and every account would be allowed up to 200 tokens, i.e., an account balance could go negative up to a limit of minus 200 TT.

As the word got out among the various activist and nonprofit networks in the community, the membership grew quickly, eventually reaching a peak of more than two hundred participants, which included a handful of progressive businesses. Trading fairs and potluck dinners were held regularly, and for a while they attracted sizeable crowds of enthusiastic traders. A directory and a newsletter were also produced. Along with the growth in membership, the workload of recording the transactions and updating the ledger also grew. The notebook was shortly replaced with a computerized set of accounts. Still, the work of recording transactions became too much for the volunteer administrators. It was then decided that the administrative burden could be greatly reduced by eliminating the need to record each and every transaction. This would be accomplished by allowing each member to draw out paper currency notes against their line of credit or positive balance. Thus, someone who already had a debit (negative) balance of, say, 75 tokens would be allowed to draw paper notes to the extent of 125 tokens against her account. Members of Tucson Traders could then pay each other by passing the paper TT notes from hand to hand, in just the same way as we use cash for regular dollar transactions. A few local artists volunteered to design the notes in various convenient denominations, and a local printer volunteered to print up a supply. Figures

13.1 and 13.2 show the two sides of the twenty Token note. We had a big party at which the notes were distributed, and at that point some of the tokens that originated as ledger credits began their life as a circulating paper currency. There was a formal agreement that, if anyone wished to leave the system, they would first settle any outstanding negative balance—either in Tucson Tokens or in dollars (But, unfortunately, there was no mechanism for enforcement and that agreement was ultimately disregarded).

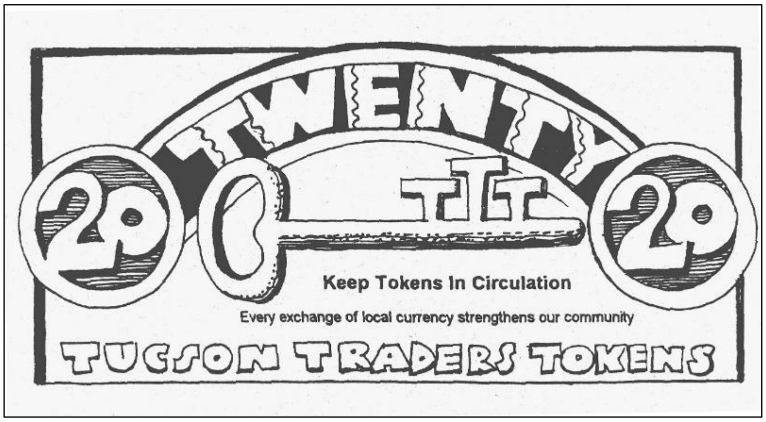

Figure 13.1 Twenty Token Note-obverse

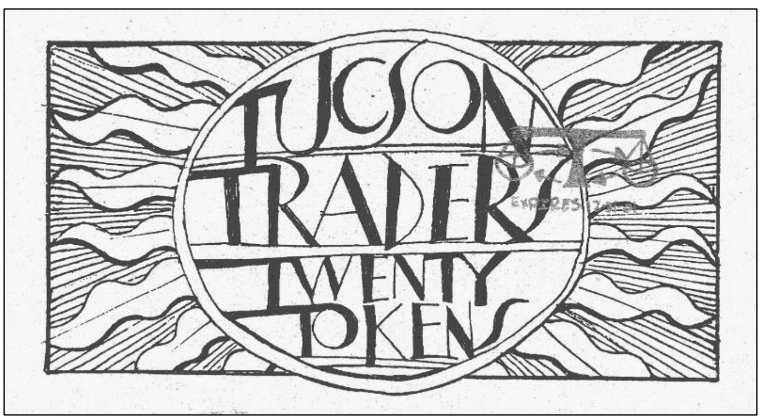

Figure 13.2 Twenty Token Note-reverse

As the novelty wore off, people lost interest in potlucks and trading fairs, and with the membership scattered all over town, the inconvenience factor began to take its toll. Despite the reduced workload that accompanied the shift to circulating paper notes, the volunteer core grew tired and less enthusiastic. Administrative personnel changed over several times, but the downward spiral continued. By the fourth or fifth year, trading using Tucson Tokens had virtually stopped.

This story typifies the experience of grassroots complementary currencies and mutual credit clearing systems as they have thus far developed. New ones continue to pop up and a few vintage systems are still functioning, particularly in Australia and the UK.

It is important to recognize that, even though Tucson Traders did not achieve sustainability as a mutual credit clearing system, a great deal has been learned from its mistakes and deficiencies, and there were significant positive outcomes aside from economic benefits. In the words of one participant, a permaculture design consultant who had been part of the core administration,

> "…we who worked together on the project still refer to Tucson Traders fondly—as a wonderful and useful experiment and model that will be valuable when economic times really get tough. We also refer to the great connections and friends we made, which went beyond just the money exchange and trading. I still have friends today that I met through TT, who I might not have met otherwise. I use Tucson Traders as an excellent local case history of using Permaculture design principles to put together what we call in Permaculture an "invisible structure"—those structures that have a big impact on our lives but aren't necessarily visible like sun angles and water cisterns."[5]

More Recent Experiments in Mutual Credit Clearing

In 2012, I was invited to participate in a conference at the European Sustainability Academy on the island of Crete in Greece, part of which consisted of a 2-day workshop in which I and several others active in the area of exchange alternatives shared our ideas and experiences. Among the participants were leaders of local exchange groups from both Crete and from Volos on the Greek mainland. The latter was represented by Yannis Grigoriou one of the co-founders of the Volos credit clearing exchange called *TEM*, which had been launched six months earlier, and of which I was already aware through the considerable amount of coverage it had received in international media channels, including the New York Times,[6] PRI,[7] and the BBC.[8]

My good friend and associate, Sergio Lub, and I were invited by Yannis to visit Volos following the Crete conference to see for ourselves what was happening there. We flew to Thessaloniki where we were met by one of Sergio's Greek correspondents who drove us the following day to Volos where we met up again with Yannis. He had arranged for us to meet with the mayor of the city, who had been very supportive of this grassroots effort to cope with the financial austerity that was being imposed on Greece by the IMF and the EU. Yannis had also arranged for me to do a brief interview with a local TV channel and to conduct a workshop for a dozen or so of the core organizers and users of the TEM exchange.

As with the other groups that I addressed during my tour, I shared the results of my Tucson experiences and stressed the crucial importance of a few core principles, including the following.

In order for a mutual credit clearing exchange to be scalable and successful over the long run,

1. **The allocation of credit lines cannot be arbitrary but must be based primarily on the value of the goods and services that each participant is prepared to sell within the exchange circle, and,**
2. **The project must be anchored in the local business community, especially the small- and medium-sized enterprises that form the backbone of every local economy and are the providers of people's everyday needs.**

Unfortunately, my recommendations came too late since TEM had already gotten off on the wrong foot months earlier. The organizers were already beginning to learn these lessons the hard way. Just like Tucson Traders, the TEM exchange began with virtually no established business participation, and the amount of credit allocated to participants was uniform and excessive, which caused the Volos TEM to ultimately suffer a similar fate.

The fundamental objective of mutual credit clearing is to create independent liquidity within the local economy, i.e., to provide a means of payment by which associated producers can buy and sell with one another without having to rely on the availability of bank credit or scarce official money.

That liquidity must logically be founded upon local productivity. It is therefore the most productive enterprises that sell what most people want that should receive the largest credit lines and be allowed to carry negative balances in the system. Because they have demonstrated their earning power, they are the ones that **can be trusted to spend before they earn** and reciprocate later. Except for small credit lines allocated to new members who bring goods or services ready for sale to the market, all others should be required to **earn credits before they are allowed to spend**.

Local Currencies

Besides mutual credit clearing exchanges, a plethora of local and community currencies have popped up all over the world, but their results have also been less than encouraging. The avowed purpose of local currencies has generally been *to keep money circulating locally instead of "leaking out"* of the community. The hope is that by keeping exchange media circulating within the local community, the vitality of the local economy will be enhanced, and local businesses will be better able to compete with large global corporate chains.

That is well and good, but it misses the main point of what ails our communities and our world. It is the very nature of the dominant political money system that is problematic. So, localization is not the end in itself, but the necessary means to achieving personal and community re-empowerment and freedom, community resilience, sustainability, self-determination, and the revitalization of democratic governance. Community currencies and exchange systems provide an essential tool kit for achieving those goals, but they need to be designed in such a way as to make people less dependent upon political money and banks. So long as we remain harnessed to the dominant money and banking regime, there will be little chance of significant improvement in the human condition; in fact, the trend has been exactly the opposite.

The many local currency experiments that have been tried in various places around the world in recent decades have achieved some worthwhile results in terms of educating people and planting seeds of possibility, but hardly any of them has achieved the desired results of making their communities stronger and more resilient. Why? There are many reasons, but the most important are the basis upon which the currency is issued and the way in which it is placed into circulation. These are the design elements that determine whether a currency will be sound, credible, effective, and scalable. Every currency is a credit instrument, an obligation of the issuer, and its "basis of issue" is whatever it promises to give to the holder when the issuer accepts it back, i.e., when the issuer "redeems" it.

Up to now, virtually all of the community currencies that have been tried have followed the "convertible local currency" (CLC) model. These currencies are "cash based," i.e., they are issued on the basis of official government- and bank-created money. Typically, they are sold for official money and can then be redeemed back into official money. Currencies like the Bristol Pound and Brixton Pound in the UK, Toronto Dollars and Salt Spring Island Dollars in Canada, and Berkshares in the US are all based on this model. Each of these has garnered some community support and a great deal of attention by mainstream media, but none has been very effective in achieving the desired objectives of enhancing community resilience and local self-reliance. The support of local governments has been important in gaining broad acceptance of these currencies, and the administrative services provided by local banks or credit unions adds credibility and convenience, but these are not sufficient in themselves to make a currency effective and scalable.

The ineffectiveness of the above-mentioned CLCs has been generally acknowledged by their founders, many of whom have become discouraged and dissatisfied with the payoff from their efforts. Now a recent academic study of the Bristol Pound experience by Adam P. Marshall and Daniel W. O'Neill[9] has formalized that conclusion. The authors find that the Bristol Pound (and, by extension, CLCs in general) "is *not* driving localization," and argue that "those seeking to drive localisation should engage in a more active agenda that directly challenges government policy and institutions." While I applaud the authors' efforts in documenting the ineffectiveness of the CLC model, their recommendation of "a more active agenda that directly challenges government policy and institutions," falls far short of what is needed, as evidenced by many such "reform" efforts over a long period of time. The problems are not at the policy level; they are structural, and as R. Buckminster Fuller has famously pointed out, "You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

Selling a currency for cash, as CLCs do, does not create any additional liquidity (payment media) for the community, it merely exchanges official money for a voucher currency that has limited usefulness. It amounts to a prepayment for the goods and services offered by whichever local merchants agree to accept it. If you think a bit about it, it becomes evident that such currencies that are sold into circulation bear a strong resemblance to the gift certificates or gift cards that are sold by myriad retail companies all over the world—companies like Target, JCPenney, Marks and Spencer, TJ Maxx, Amazon.com, and Starbucks, just to name a few. However, in those cases, redemption back into official currency is not allowed. Those gift cards are redeemable only for the goods and services that the issuing company offers for sale. Why, then, is it considered necessary for community currencies to be redeemable back into cash? Doesn't that defeat their intended purpose of keeping money circulating locally? How many transactions will a local currency enable before a holder cashes it in?

The CLC model leaves the control of credit and the creation of exchange media in the hands of the banking establishment and leaves communities to flounder in the sea of globalized and corporatized rent-seeking and power concentration. In their weakened and subservient condition, communities are poorly situated to influence government policies or to challenge established institutions, as the authors of that study suggest. Consequently, individuals and communities must first find ways of empowering themselves. **The best way of achieving that is by decentralizing and democratizing the control of credit and using it as a basis for creating independent currencies and exchange mechanisms.**

The main argument that is given for making a community currency redeemable for dollars, pounds or other conventional currency, is that redeemability in cash is necessary to make the currency acceptable to the local merchants. But is it? Why do Target and other retailers enjoy significant demand for their gift cards, even though those gift cards cannot be redeemed back into cash? The answer is that people have faith that Target is ready, willing, and able to redeem its gift card obligations for a wide range of merchandise and services that people need and want. It would be a small step for local merchant gift card balances to become private currencies. It would only be necessary for the gift card issuer to provide a convenient means for gift card balances to be transferred from one account or device to another. However, since gift card credits, like CLCs, are sold for cash, they still fall short of achieving the desired objectives of providing communities with an independent source of liquidity, even if issued by a local company instead of a national or global corporate chain.

Each of the above-described cases illustrates that good intentions are never enough, but must be blended with sufficient knowledge, skills, and dedication if they are to bear fruit.

A Better Currency Model

A sound, credible, effective, and scalable currency does not need to be redeemable for conventional money, the issuer needs only to provide credible assurance that its currency can be readily redeemed for some goods or services that are in general demand. Private or community currencies that are SPENT into circulation by trusted issuers, like utility companies, goods producers, or municipal governments, have much greater potential for promoting local community prosperity, resilience, and self-determination because they allow a community to *monetize* the value that is created and sold by local businesses and professionals. The internal “trade credits” provided to members of mutual credit clearing associations, like those being created by the scores of commercial “barter” exchanges that operate around the world, do the same. Such home-grown sources of liquidity enable a community to greatly reduce its dependence upon official money and bank borrowing, and to automatically favor local production and local sourcing of goods and services, thus reducing dependence upon imports and global corporate providers.

Harking back to my Solar Dollar[10] proposal, consider a local electric utility, or other utility company that provides water, gas, or some other essential service to customers throughout the local region. The company typically receives periodic payments for its services from its customers in the form of conventional money. The company also has expenses that it incurs in the process of providing its services. Money goes out and money comes in as a more or less continuous stream. Now suppose the company were to pay some of its expenses, not in conventional money, but in the form of its own currency vouchers which it promises to accept back at face value from its customers when they pay their bill. If the utility company is solvent, is there any doubt that the local merchants, and everyone else in the community, would be willing to accept significant amounts of the local currency as payment, instead of official money? If you have an electric bill to pay, why would you not be willing to accept electric company vouchers in payment when you sell your own services or goods? And even if you do not yourself have a utility bill to pay, so many others in the community do, so there should be no doubt that you can spend the currency onward at many other places of business.

A currency that is **created** locally, that must also be redeemed for local goods and services, will **automatically circulate locally**. Here the word “create” **does not** mean exchanging dollars or Euros or some other official currency for a local currency, but issuing local currency **on the basis of goods and services** that are produced and sold within the community. This is the process called “monetization” of value. Such currencies originate and end up in the community. Even if they should temporarily leave the community, they must ultimately return if the holder wishes to get the value that the currencies promise, which must come from the original local issuer.

Recognizing that the conventional exchange medium (money) is created by banks when they make loans, it becomes apparent that money is but a virtual representation of the value which the “borrower” has pledged in support of his “loan,” be it business assets like goods inventories, or collateral assets like real estate. But economic power is ultimately in the hands of producers who create real value and put it on the market, so what is there to stop producers from creating exchange media (credits and currencies) **directly,** without involving banks or paying interest? Call them *vouchers*, *credits*, *certificates* or *coupons*, sound private and community currencies can be **SPENT** into circulation by a trusted producer or reseller who is ready, willing and able to accept it back as payment for real value, i.e., the desired goods or services that are their normal stock in trade. This is not a complicated process. The animated video, *The Essence of Money,*[11] provides a clear example of how it works.

Why Exchange Alternatives Have Failed to Thrive

There is much to be learned from previous experiences if we are willing to accept their hard lessons. Here we will consider the grassroots initiatives and leave the possible improvements to commercial trade exchanges for a later chapter.

The pertinent questions are:

- What are the main factors that cause mutual credit systems and community currencies to fail to thrive?
- Why have they remained a fringe phenomenon and not been widely adopted?
- How can they be made to sustain themselves and achieve their basic objectives?

There are two fundamental reasons why exchange alternatives fail to thrive. These are

1. Failure of reciprocity and
2. Inadequate scale and scope of operation.

Failure of Reciprocity

Any payment system exists for the purpose of facilitating reciprocal exchange, which can be roughly described as "getting as much value as you give and giving as much value as you get." Whether it be a currency or credits in a clearing system, anything that interferes with its ability to fulfill reciprocity (or creates doubt regarding its ability to assure reciprocity) will work against its adoption and continued patronage. Failures of reciprocity can stem either from system design flaws or from management issues.

System design flaws include:

- Improper basis of issue of credits or currency.
- Inadequate account limits, i.e., over issuance of credits or currency in relation to an issuer's productivity and the market demand for their goods or services.
- Lack of clear agreements and failure to enforce them.

Management issues include:

- Lack of accountability and transparency
- Inadequate management procedures and controls
- Overreliance upon volunteer administrators
- Failure to respond to internal or external threats

Inadequate Scale and Scope of Operation

There are several aspects to the problem of scale and scope, which can be summarized as follows:

- Failure to achieve critical size of the participant base
- Too narrow an assortment of goods and services being offered
- Insufficient participation at various levels of the supply chain[12]
- Failure to gain sufficient participation of the business community

The principles that need to be applied in addressing these problems will be taken up in the next chapter.

Case Studies

The WIR Economic Circle Cooperative

The case of WIR is important for several reasons. As we described in Chapter 11, credit clearing is the highest stage in the evolution of reciprocal exchange, and WIR is among the best available examples of a credit clearing system that was able to sustain itself and to thrive over the long term. From its founding in 1934, WIR struggled with all of the important issues related to the implementation and management of an independent credit clearing exchange and managed to overcome many challenges to establish itself as a significant benefit to the Swiss national economy, particularly the sector of small and mid-sized businesses.

WIR was founded as a self-help organization to promote solidarity among the "entrepreneurial middle class." At that time, the entire western world was in economic distress. In Switzerland, revenues from exports and tourism had plummeted by 65 percent in the five years between 1929 and 1934 and the domestic economy was wracked with high rates of unemployment and increasing numbers of bankruptcies. The basic objective of WIR was to enable its members to buy from and sell to one another despite the shortage of official money. They achieved this by using their own credit as a means of paying one another.

The WIR cooperative circle grew quickly, and by the end of 1935 had three thousand participants. In the first year of operation, turnover (sales using WIR credit) surpassed one million francs, which amounted to ten times the volume of WIR account balances. According to Professor Tobias Studer, between 1952 and 1988, the WIR cooperative experienced, "tempestuous, near-constant growth and the targeted expansion of the branch network, with no major changes of the WIR credit clearing concept."[13] According to an annual report of the WIR, by 1997, the total annual amount of credit cleared by WIR for its members amounted to 2.1 billion Swiss francs (or the rough equivalent at that time of 1.5 billion U.S. dollars). That was still a small fraction of the total Swiss economy, but a significant amount of the members' combined business volume.[14]

Then a sequence of peculiar actions commenced that moved the WIR cooperative toward becoming a conventional bank. In the early 1990s, bank ownership was opened up through the sale of stock, and in 1996 the WIR began accepting deposits of Swiss francs and began making loans of Swiss francs. Meanwhile, there was also a significant development on the regulatory front—according to Studer, Swiss law now forbids the organization of banks as cooperatives.[15] What is going on here?

When the original edition of *The End of Money and the Future of Civilization* was written, I was able to find data for the annual volume of credits cleared on the WIR Bank website, but my recent search has failed to find those figures or any more recent ones. At that time, I wrote that "the available figures for the most recent time period of 2003–6 show that the amount remained about the same as the 1997 level, while the number of WIR accounts has slowly but steadily shrunk from 77,651 in 2003 to 73,134 in 2006. Over the same period the WIR Bank has seen a large and steady increase in its Swiss franc deposits and the volume of its Swiss franc loans, so that the Swiss franc portion of its business is now approximately twice as large as the WIR credit portion."

Considering these developments and observing that there seems to have been no attempt to propagate the WIR credit clearing model outside of Switzerland, one is led to the conclusion that there must be some effort afoot to suppress it. Though speculative, it is easy to imagine that the success and rapid growth of this upstart exchange alternative during the early 1990s must have begun to embarrass and threaten the conventional banking interests, who have proceeded to try to quietly neutralize the threat. Attempts by me and others in the alternative exchange movement to meet with WIR Bank management have been unsuccessful[16]. It seems likely that the vested interests in conventional money and banking have managed to take control of the WIR Bank management and are working to deemphasize the independent credit clearing services which, from its beginning, have distinguished WIR from conventional banks.

There is a great deal of confusion about the actual credit allocation and management procedures and how they have changed over time, particularly since the mid-1990s when WIR became a conventional bank. The best information I've been able to find comes from Professor Studer who had once served on the WIR advisory board and had written a book about it titled, *WIR in unserer Volkswirtschaft* (translated, *WIR and the Swiss National Economy*). In 2005, I paid a visit to Basel with my colleague Sergio Lub, during which time we spent several hours with Studer discussing his experience with WIR and the contents of his book. Figure 13.3 is a photo of me in discussions with Professor Studer.

Figure 13.3 Thomas H. Greco, Jr. with Prof. Tobias Studer (photo by Sergio Lub)

Upon returning to the United States, I showed the book to my friend and colleague Philip Beard, a Professor of German at Sonoma State University who was very interested and agreed to translate the book from German into English. His excellent translation of the Studer book is available and is a "must read" for any serious student of money, banking, complementary currencies, credit, and exchange alternatives. It can be ordered in paperback or downloaded as an e-book from Lulu.com.

Upon reading the English translation, my German colleague, Theo Megalli, and I prepared a precis and fairly thorough critique of the Studer book in which we discuss the evident flaws in the WIR Bank credit procedures and our prescribed remedies. That document is freely available for download at beyondmoney.net.[17]

Some of the main lessons to be learned from the WIR case are these:

- WIR took hold during a time of scarcity of national currency and conventional bank credit,
- WIR continued to thrive even after that time of monetary scarcity had passed,

- WIR, as formerly operated, has proven the effectiveness of the direct credit clearing process in improving the vitality of participating businesses and local economies, and
- When done correctly on a large enough scale, direct credit clearing is fully able to function as a viable complement to conventional money and banking and sustain itself over the long run.

Social Money in Argentina

In 1991 the Argentine government adopted policies favorable to foreign banks and investors. These policies included adherence to IMF rules for "structural readjustment," the sell-off (privatization) of assets owned by the government, and an attempt to maintain parity between the Argentine peso and the U.S. dollar. ATM users were even given the choice between withdrawing pesos or dollars. These policies were supposedly intended to reduce Argentina's international debt but instead caused it eventually to increase further—and in the process, caused huge increases in the poverty and unemployment rates even among middle-class professionals.

People at the grassroots responded with their own self-help and mutual aid initiatives. The Argentine "social money" movement began in the mid-1990s when a group of friends and neighbors in a Buenos Aires suburb organized a *trueque* club, or trading club, to barter goods and services among themselves. Very soon, other clubs began to spring up in various places, providing opportunities for people to trade what they had for things they needed without the use of official money. It soon became apparent that some kind of currency was required to facilitate trading among participants and to transcend the limitations of direct one-to-one barter. Various clubs began to issue their own *credito* currency notes and by early 2001 there were several dozen varieties of *credito* currency in circulation.

The various *trueque* clubs then formed a loose network known as the Red Global de Trueque (Global Trading Network), in which the many different credito currencies issued by the various clubs were being accepted as payment at the many trueque fairs that were being organized on a regular basis. As might be expected, some unscrupulous people saw this as an opportunity to enrich themselves, either by issuing their own currencies without adequate social or economic backing or by counterfeiting the credito currencies of some of the larger clubs. Despite these problems the number of participants in the trueque movement continued to grow.

I first visited Argentina in the early part of 2001 as part of a group of economic researchers, social entrepreneurs, and social money advocates who had been invited by Professor Heloisa Primavera to attend a Social Money Conference in Santiago Chile. Besides a half-dozen South American countries, the participant list included representatives from Europe, Asia, and North America. Following the conference, a group of us traveled to Buenos Aires to observe firsthand the magnitude and vitality of the social money movement as it existed around Buenos Aires and the western city of Mendoza at that time. We met some of the organizers of a few of the trading clubs and visited a few of the many trading fairs that were occurring on a daily basis. I was astonished and encouraged to see moneyless trading being carried out on such a massive scale. Several of the venues we visited involved hundreds of people buying and selling a wide assortment of goods and services, all without the use of official pesos. The atmosphere was festive and electric. In each case, the means of payment consisted of some varieties of *papelitos* (slips of paper) or *credito* notes that were issued by the various trading clubs. Figure 13.4 is a photo taken at one such event, and a collage showing a few of the many credito currency notes is shown in Figure 13.5.

Figure 13.4 A trading event in Buenos Aires (photo by Sergio Lub)

Figure 13.5 A collage showing a few credito notes (Collage by Sergio Lub)

By December 2001, the financial crisis in Argentine became critical, the government could no longer sustain its more than decade-long policy of dollar-to-peso parity. There was a rush by foreigners to convert their pesos to dollars and take them out of the country. Very soon dollar and other foreign currency reserves were exhausted, and the Argentine economy collapsed. The peso was devaluated by about two-thirds and chaos reigned. Banks were closed for long periods of time and even people who had pesos on deposit were not allowed to withdraw more than a small amount each week, making the shortage of official money even more acute. Without sufficient access to cash to buy necessities, huge numbers of people clambered into the trueque "lifeboats." Between December 2001 and July 2002, the amount of trading in the trueque clubs and the amount of credito currency in circulation exploded. For millions, it was the trueque clubs that literally made the difference between survival and starvation. But as people began to recognize the fraud that was occurring, they began to discriminate between the "good" currencies and the "bad" currencies, some of which were issued by clubs that existed in name only. News circulars were published that included lists of currencies that were acceptable at the various trading events and those that were not. But the situation was so chaotic and the extent of the malfeasance so extensive that by August 2002, the Argentine trueque network had disintegrated and the social money movement in Argentina had all but collapsed. What happened?

In early 2003 I made a second visit to Argentina with my colleagues Sergio Lub and Chuck Feil to look for answers. We interviewed a number of key leaders of the movement to try to discover reasons for the rapid decline. Amid conflicting stories and sketchy documentation, hard facts were difficult to come by, but we concluded that the longer-term viability of the network and the credito currencies had been undermined by a combination of factors including mismanagement, fraud, misplaced trust, and counterfeiting; some even accused the Argentine government of perpetrating much of it. From that time to the present, the movement has been rebuilding, one local system at a time. Hopefully, these will be built upon more solid foundations, and adequate standards, procedures, and protocols will be developed before renewed attempts are made to network the local clubs together.

Prospects for Future Success

It is apparent from these two case studies, WIR and the Argentine social money movement, that complementary currencies and non-monetary exchange will take hold most easily when introduced into markets which are starved for exchange media. That is not to say that crises are **necessary** for their adoption, only that people are more open to trying something different when the old and familiar ways of getting by are less available. Conventional money is always scarce in the aggregate and is felt more by some segments of the population than others, but there are times when the mismanagement of conventional money brings about shortages that are even more extreme and widespread. It has been at such times that complementary currencies have been widely conceived and rapidly adopted. Further, there are sectors of the economy that are chronically underserved by conventional banks in the allocation of credit money. These include, as mentioned before, small- and medium-sized local producers and sellers, and others who have, for various reasons, been economically marginalized. These sectors might seem ideal ground for the introduction of alternatives, but initiating complementary exchange programs within these sectors can be problematic because they are usually highly dependent upon imports from outside and are able to exchange only a very limited range of goods and services among themselves. For that reason, small local exchanges must ultimately be networked together to cover a wider geographical region and all levels of the supply chain, and integrated into a more comprehensive economic development program, all of which will be discussed in later chapters.

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[1] See, for example, *Standard catalog of Depression scrip of the United States: the 1930s including Canada and Mexico*. Neil Shafer and Charles Kappen. Krause Publications, 1984.

[2] Thomas H. Greco, Jr., *Money: Understanding and Creating Alternatives to Legal Tender*. Chelsea Green Publishing, 2001. Kindle edition is still available on Amazon.com.

[3] Michael Linton and Thomas Greco, *The Local Employment and Trading System*,

Whole Earth Review, no. 55 (Summer 1987). https://beyondmoney.net/the-local-employment-trading-system/. Accessed, July 28, 2024.

[4] Op. cit. Greco, pp. 191–96.

[5] Dan Dorsey, personal correspondence, April 13, 2008.

[6] New York Times. https://www.nytimes.com/2011/10/02/world/europe/in-greece-barter-networks-surge.html?pagewanted=all. Accessed September 8, 2024.

[7] The World. https://theworld.org/stories/2013/08/15/greek-town-adopting-system-bartering-steroids. Accessed September 8, 2024.

[8] BBC. https://www.bbc.co.uk/news/world-europe-17680904. Accessed September 8, 2024.

[9] *The Bristol Pound: A Tool for Localisation?* http://www.sciencedirect.com/science/article/pii/S0921800917304287?showall%3Dtrue%26via%3Dihub. Accessed 3 Accessed August 3, 2024.

[10] Thomas H. Greco Jr., *Solar Dollars: A Complementary Currency that Incentivizes Renewable Energy*. https://www.frontiersin.org/journals/built-environment/articles/10.3389/fbuil.2021.785145/full. Accessed August 25, 2024

[11] *The Essence of Money - a Medieval Tale.* https://youtu.be/uO7uwCpcau8. Accessed August 3, 2024.

[12] The supply chain levels include retailers, wholesalers, manufacturers, basic commodity producers, and employees.

[13] Tobias Studer, personal correspondence, May 6, 2005.

[14] Annual reports. www.wir.ch

[15] Op. cit., Studer.

[16] See Susan Witt's report of her experience with WIR at, WIR – Current Operational Realities: A Report by Susan Witt. https://beyondmoney.net/research-and-reviews/wir-current-operational-realities/. Accessed August 27, 2024.

[17] https://beyondmoney.net/wp-content/uploads/2024/08/studer-precis_critique_review_of_wir.pdf. Accessed August 27, 2024.