

Innovative Government Issued Currencies

Bernard Lietaer

bernard@lietaer.com

Until now, governments at all levels have been using three main policy instruments to encourage behaviors they consider desirable: regulations; subsidies for behaviors they want to encourage; and taxes for what they would like to discourage. However, all three approaches have their limits. Regulation can be a crude and slow tool to bring about the desired change. Usually, it has to settle for a compromised standard, and requires continuous enforcement to be effective. Furthermore, both regulations and taxes are often watered down due to lobbying efforts. Subsidies become scarce during recessions and periods of budget reductions, and tend to be cut whenever they enter in competition with more vital needs. *“Is there another policy instrument available to obtain rapid, large scale behavior changes without increasing the budgetary burdens on public authorities?”*

Two examples of new policy instruments will be provided that could operate at any level and scale, but tend to be more effective when implemented in a decentralized way, e.g. at a city or county scale. The first is completely voluntary and the second more obligatory in nature. They are respectively:

- **Torekes**: a system that multiplies volunteering, and is now operational in a socially and economically deprived neighborhood of the city of Ghent, Belgium.
- **Civics**: a proposal that would make it possible for a city or region to fund large-scale civic activities without burdening the governmental budgets. Such activities could include for instance the labor components of social, educational and/or ecological projects.

1. Torekes: A System to Multiply Volunteering

In Ghent, the local authority was struggling to find a way to raise the standard of living and neighborhood conditions for an impoverished neighborhood in the city that was home to many new immigrants. They wanted to encourage behaviors that fostered a sense of community and kept the neighborhood clean and safe, while at the same time providing the residents with things they strongly wanted.

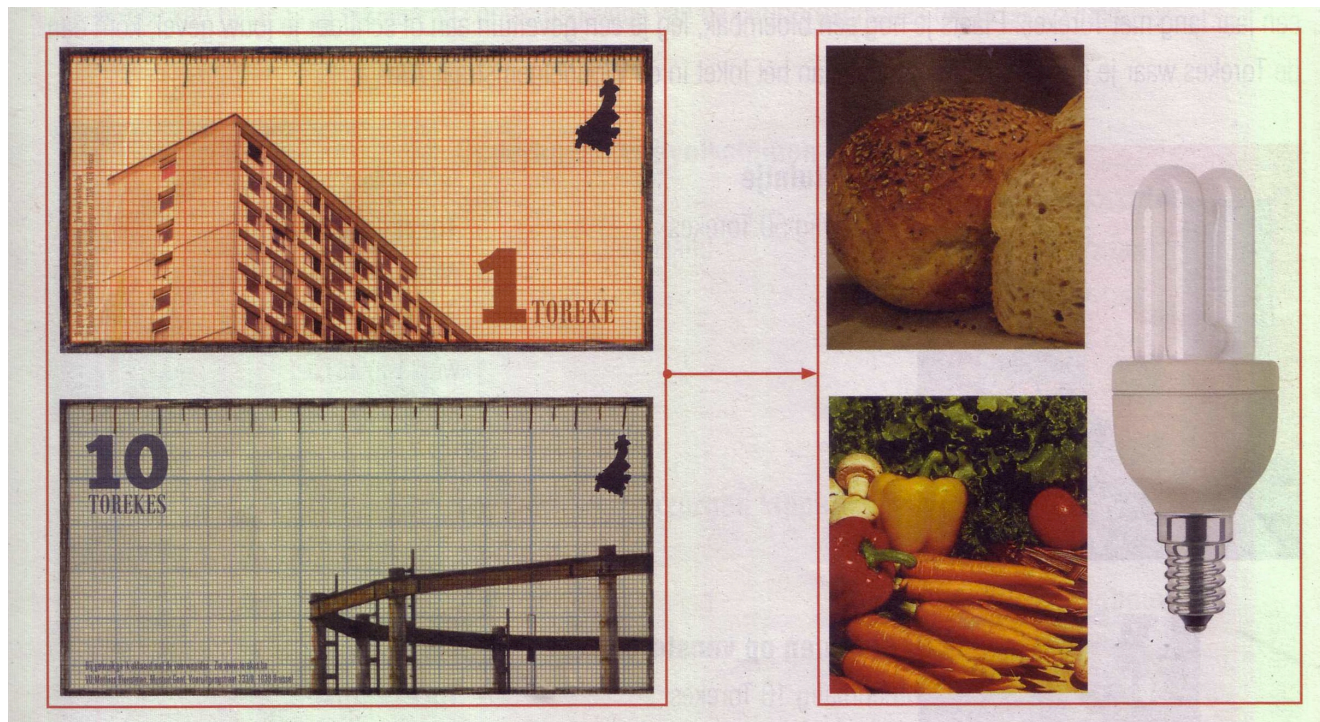
Until the thirteenth century Ghent was the second largest city in Europe, just after Paris. At that time, it was bigger than London, Cologne, Moscow, Madrid or Rome. Today it has some 250,000 inhabitants, making it the fourth largest town in Belgium. Notwithstanding that Ghent is on the average a wealthy town, the neighborhood called Rabot is economically the poorest of all of Flanders. About half of its 8,000 inhabitants are poor immigrants still living in low income apartment buildings. The density is 9,231 inhabitants per square km, one of the highest in the world. If students and illegal immigrants were included, the number would be substantially higher. Well over twenty languages are spoken, and the largest community is Turkish



The purpose of the system is to encourage green and healthy activities, beautify the neighborhood, and generally improve the local quality of life. The starting point was a survey with the question: What did the residents want and need? The answer, particularly for the inhabitants of the apartment buildings, was to have access to a few square meters of land for gardening, for growing vegetables and flowers. The city owned land in the neighborhood that could be provided for that purpose, including an old factory site had been demolished and the land was left untended (see picture below), plots of land that are waiting for building permits, a back part of a park. So city officials made a four square meter garden available for rent on a yearly basis, at the cost of 150 “Torekes” per year. The key is that this rent is payable only in “*Torekes*” (Flemish for “Little Towers” which is emblematic of the neighborhood).¹ What are *Torekes*? The national currency in Belgium is the Euro, after all.

Torekes are a local currency, issued by the city, which can be earned in exchange for a long list of different activities in the community. To earn them, people can work to create the gardens in the first place. But *Torekes* also reward more modest efforts like putting flower boxes on the windowsill on the street side, maintaining plantations next to sidewalks as a beautification project, putting “no advertising” labels on the mailboxes to reduce junk mail, or helping to clean up a neighborhood sports court after a match. There were dozens of tasks from which to choose.

¹ See the website in Flemish www.torekes.be .



In addition to paying for the rent of the little neighborhood gardens, arrangements were also made with the local shops to accept Torekes for specific goods that the city wants to encourage: e.g. low energy lamps, or fresh seasonal vegetables (see picture above). Participating shops can either use the Torekes for their own participation in local activities or simply get them reimbursed for Euros at the city office. Torekes can also be exchanged for public transport tickets, and tickets for cultural events or movies, all activities with very low marginal costs for additional participation (at least as long as the bus or movie theater isn't full).

While these currencies can be issued either in paper or electronic form, Torekes take only a paper form for this pilot project, on the request of the participants themselves. One of the reasons is simplicity. Yet if the choice is made to issue them electronically, all of the transactions could also take place via the internet.

The project was officially launched on November 4, 2010. It was so successful that during Spring 2011 there were more volunteers than the city knew how to use. Between November 2010 and mid-September 2011, a total of 30,369 Torekes had been earned, during 526 different activities. 242 users have officially registered, but the number of actual participants is larger as exchanges can also take place directly among the residents themselves. Of this total of 30,369 Torekes issued, some 13,279 had been used to purchase fresh vegetables and low energy lamps at the local grocery shops. Movie and bus tickets did brisk business in Torekes. (The city reimburses the shops and the theater in Euros from budgets that were previously spent for the services that residents are now providing the neighborhood, so the budget is still in the black).

What this experiment has proven is that it produces a much broader social impact with the same Euro budget, providing a leverage effect on the use of conventional currency. Specifically, even at this very early pilot scale, three times more results have been produced with the same amount of Euros. If the implementation was fully scaled up, it has been estimated that this multiplier could potentially rise to a factor of 20 times.

2. *Civics: funding ecological or civic activities*

Imagine that a particular city or county has decided on a specific intention: e.g. it wants to become a

“green city”, or a “caring county”.

The Conventional Approach

As a basis of comparison, it would be useful that this city or county prepares an implementation plan to reach the stated intention, using only the traditional budgetary instruments, like paying the labor required at market rates for all the relevant work. For instance, let's assume that a city which is home to 100,000 households reaches a political consensus to become a green town, and that the annual subsidies required would amount to 1,000 US\$ per household, of which 75% are labor costs, and 25% is for materials. The most obvious way of making this happen would be for the city to raise taxes on the average of 1,000 US\$ per household per year. Local non-profits whose mission is in alignment with that city policy would also be invited to get involved. So the cash flow process would look conceptually like Figure 2.

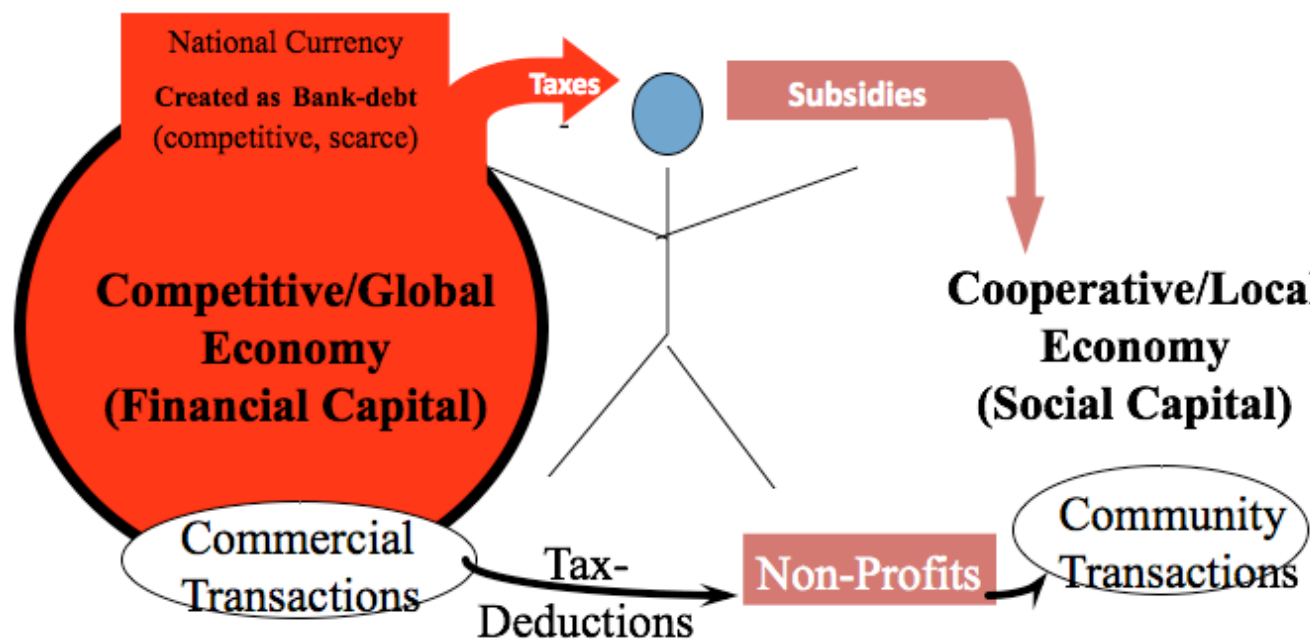


Figure 2: How to Fund a Social or Environmental Project with US Dollars (National Currency)

There are two types of financial support needed for the project to work. The first one is direct: subsidies or city projects paid out from tax income (or through debt, but that would involve over time the same amount of tax income, plus interest). The second option is through non-profits activities. The non-profits obtain funding through donations that are tax deductible as shown on the bottom part of Figure 2.

The Innovative Approach: Civics

The same city could choose to implement the same project using an innovative currency. The key is to understand that what provides value to any Modern money system is the fact that a governmental authority requires its use in payment of taxes. This is also the case for all conventional national currencies including the US\$: without the requirement from government that taxes are payable only in that specific currency, US\$ or any other national currency would disappear in a few months...

Let us now assume that instead of using dollars, the local government called for the use of something we are calling “Civics” as a mandatory contribution to the city. Indeed, the city can

choose the kind of behaviors it wants its citizens to make, to obtain the Civics that it requires for this annual contribution. For instance, Civics could be earned through a variety of common civic activities. For instance, for a city that has chosen to become “green” and more self-sustaining in food, by growing food on terraces or rooftops, or by training people in city-based horticulture, or by taking care of plants and trees in the neighborhood, etc.

Non-profits would play a role in the Civic economy similar to what corporations and businesses play in the normal dollar economy. Such roles include, for instance, organizing the activities involved, or verifying the quality and quantity of the work performed. Furthermore, at least one Non-profit should be put in charge of auditing other organizations in their Civics related activities. All those non-profits could also be paid for their own work in Civics.

Objective and Scope of the Civic system

The objective of the Civic system is to fund the labor component of civic activities without creating governmental deficits. The system would also provide real income for the most active of the participating people, and would enhance community building. Modern societies report high levels of isolation and fractured social networks and family systems. Shared work in a local community would be a very effective way to address this issue.

The Civic system can operate at any scale: local, cities, county, states or even a country as a whole. In the example provided below, it is assumed that this approach is used by cities or counties that are committed to achieve certain objectives. Notice, however, that an identical approach could also be used to mobilize social activities such as help to elderly people, or for education, public participation in government, ecological clean-up and maintenance, energy efficiency, and any activities in whatever field the city or other local authority deems useful.

Operation of the Civic System

The city or county government would issue an ordinance that residents need to contribute a certain amount of Civic tokens in a particular year, for example eight Civics per family. As a rule of thumb, one Civic could correspond to one hour of service in civic activities.

This would be an obligation for every household, but with appropriate exemptions for special circumstances (e.g. people with handicaps, with children of young age, people who take care of elderly parents in their households, or whatever other reasons deemed valid).

Civics would be issued by the governmental entity involved, and used to reward specific measurable civic activities as determined each year. Compensation could take the form of paper tokens (as is the case in the Torekes above), and/or of electronic units exchanged via computer or mobile phone. The governmental entity wouldn't accept payments in national currency to replace the contributions in Civics, nor does it set any fixed exchange rate between Civic and national currency. Residents are free however, to exchange Civics whichever way they desire, including for national currency, on free market principles. A local e-Bay type market could be set up to facilitate such exchanges. In this way, people who have more time to earn Civics could earn income from people who didn't have the time, but who could afford to pay money.

By deciding on the quantity of contributions per family, and the opportunities for earning Civics, a “civic economy” would be activated at whatever scale is deemed appropriate. It is important to recognize that the process of choosing the type of activities by which one can earn Civics should be as democratic as possible. The choice about the specific activities that people can get involved in to

obtain Civics should be highly decentralized, even to the scale of a neighborhood, so that people have as great a say as possible in the type of projects in which they want to get involved.

Another important feature is to make the flow of the Civic units transparent to its users, with an open book accounting practice. Transparency would also be the best and most cost-effective way to avoid fraud, or use of this system for criminal activities.

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Approach: Step by step

When a government decides to launch an Civic system, it would involve the following nine steps. The first four steps are preparatory in nature:

- 1) Prioritize the civic issues and activities that are considered most important.
- 2) Convene a group of stakeholders to conduct the planning and implementation process. This could include citizen groups and non-profit organizations that could be mobilized to support such projects, and that would help organize those activities.
- 3) Determine the value in Civics for each of those activities. (For instance, regularly using public transport is rewarded by two Civics; or one hour of participation in tree plantation is worth one Civic; etc.)
- 4) Issue an ordinance to introduce the Civic system, and set up an operational system to issue and collect Civics (today there are open source softwares available to perform these tasks). It is recommended that governments don't get involved in managing the payment system itself, but instead request bids for a limited time period (two to three years maximum) as the technologies involving mobile phone payments are bound to strongly evolve over the next few years.

The practical implementation of the Civic would involve the next five steps:

- 5) Decide the amount of Civic tokens that would be required as contribution by each household for the first year (e.g. eight Civics in the first year, corresponding theoretically to roughly one full day of activity), as well as the quantities of Civics that could be obtained for each civic activity.
- 6) Recruit non-profit organizations as intermediary agencies to manage and control Civic payments for each type of activity. These non-profit organizations in turn could pay their participating members in Civics for their own work.
- 7) Engage in a communication campaign explaining to the population how they can obtain Civics by participating in the civic activities decided in step 5. It would be also effective to co-organize two "Civic Weekends" per year of activities where everybody who is interested could easily earn more than the eight Civics in a fun and community way.
- 8) If electronic means are used for the Civics, feedback to the participants about progress on each activity could be provided in real-time.
- 9) After the pilot test of the first year, evaluate the results and any emerging problems, fine tune the system, and gradually year after year adjust the range of civic activities and geographical reach

Figure 3 summarizes the operation of the Civic system. Note that there is no obligation to personally perform any of the tasks that are rewarded in Civics. There are two ways to avoid participating. The first is to pay the amount in US\$ that are deferred by the Civics system when you pay your annual taxes. A logical amount in our example would be the \$1,000 per year -

that was the estimate in the normal process described at the beginning of this section. For those that have not chosen this “exit” option, the obligation is to pay a contribution in Civics at the end of the year. People who are not interested or don’t have the time to perform the relevant tasks themselves would be able to purchase Civics in an eBay type market, as openly and transparently as possible. People who have earned more Civics than they need for their annual contribution could sell them in that market. The purchase could happen in the form of another service (e.g. baby sitting hours in exchange of Civics?); a good (e.g. a bicycle or a high-fi system in exchange of Civics?); or conventional money (e.g. 20 or 30 US\$ per Civic?). The government should only get involved to ensure that no fake Civics are circulating, and that the trades are transparent and fair.

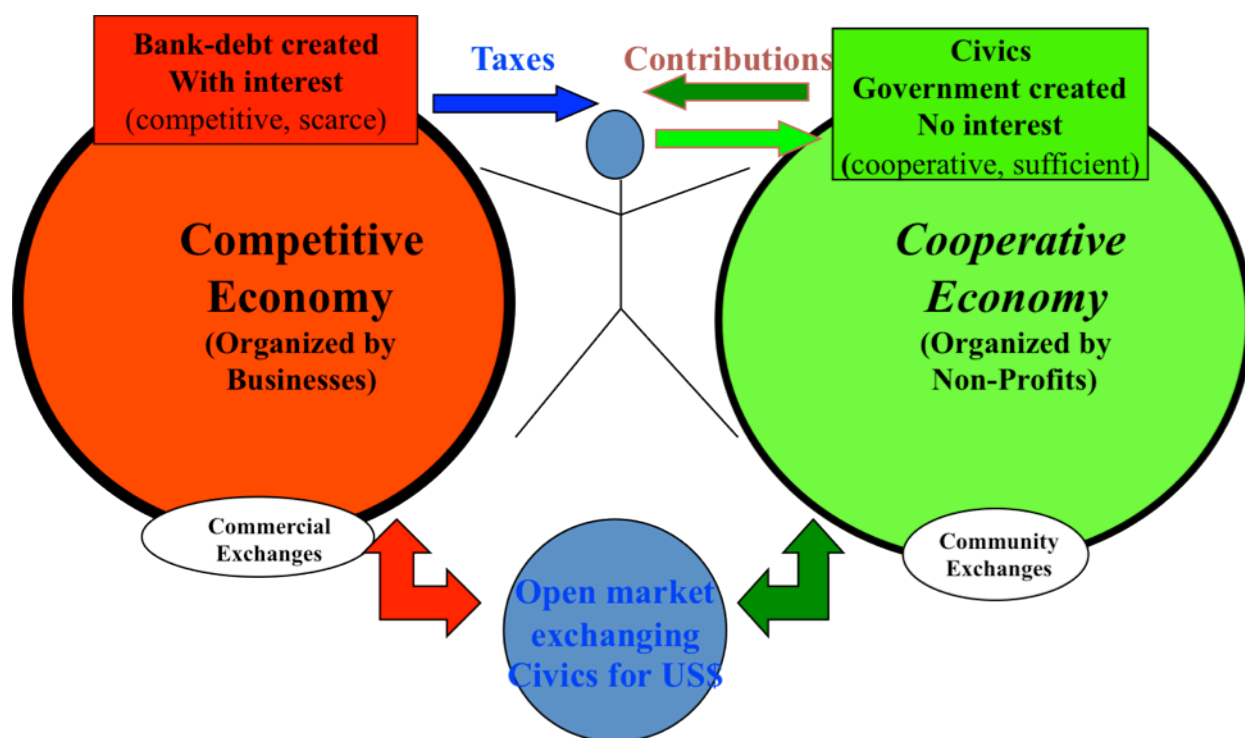


Figure 3: Civic System Flow

Advantages of a Civic System

For the *governmental entity* involved:

- The Civic system makes it possible to ensure that a variety of civic activities are taking place, without burdening governmental budgets or incurring national currency debt.
- It is a well-known principle that “one can’t improve something unless one measures it”. The Civic system would measure and track civic activities more precisely than is currently the case.
- The Civic system would effectively mobilize the majority of residents of a particular area to take an interest and participate in civic activities.
- The government should not fix the value of the Civic in terms of national currency. If it wants that value to rise in US\$ terms, the most effective way is to require a higher amount in annual contributions.

For Non-profit Organizations:

- The sale of excess Civics earned by individuals or non-profit organizations to people who haven't earned enough of them through their own civic activities would provide an income source for civic volunteers and the organizations involved.
- Research has shown that more people volunteer and that the turnover of volunteers in non-profit organizations is significantly reduced when a complementary currency is used to reward volunteers.²
- Because of these two effects, more non-profit organizations that focus on civic needs will tend to emerge spontaneously.
- It is well-known that non-profit organizations are almost invariably in fierce competition with each other to obtain national money to operate. Destructive competition is occurring particularly for organizations that are pursuing similar aims, because the funders will logically also tend to be the same. Ironically, this significantly reduces their overall capacity to produce the results that they are pursuing. Non-profits could still compete in their different offers and methods to attain their objectives, but the competition to obtain funding would be significantly reduced.

For citizens:

- Resident families will be able to live in and maintain a higher quality of life.
- They can receive real time online feedback about societal improvements through the Civic Information System, which could motivate citizens to accomplish more work on those civic improvements.
- It can give residents more choices to get involved in a variety non-profit organizations that fit their personal interests or preferences.
- People who are not interested in the activities involved can purchase the necessary Civics from people who are doing more than their part. And people who have the time and interest in those activities can derive an additional income from those people who have to purchase the Civics.

For Businesses:

- A given national currency budget for civic activities would enable businesses to deliver more civic improvement projects, because more of that funding could be dedicated to purchasing the necessary goods and equipments. This is so since compared to what happens now, most labor costs could be obtained via the Civic system.

The Civic system is only one example of the type of activity that this approach could fund. Whatever type of activity that the government wants to encourage could be rewarded in this way. This plan could be used to solve environmental issues (e.g. reduction of energy consumption, or the “greening” of a town); social issues (e.g. elderly care); support at-risk families who need financial support (e.g. a parent could receive automatically a given quantity of the government issued complementary currency); a learning mechanism (e.g. hours of tutoring or teaching others about various topics); etc.

Some Legal Issues

The first question that is usually raised is whether such a system is legal or not. The answer depends on the exact wording of existing laws, which vary from state to state. There has been an executive order in place since FDR making it more difficult for cities to issue a “legal tender” form of money that would be in direct competition with the dollar. However, nobody is obliged to accept Civics in payment of debts. In the U.S., there is no law prohibiting cities and counties from issuing coupons

² Robert Wood Johnson Foundation: *Service Credit Banking Project Site Summaries* (University of Maryland Centre of Aging, 1990).

to encourage civic participation. Furthermore, nothing impedes a city to require tickets or coupons to participate in something.

As with all laws, however, interpretation is always a key. In the entire above description of the Civic the words “money”, “currency”, “legal tender” or “taxes” has not been used, proving they are not necessary. The word “contributions” is different from taxes. The Civic system is more akin to the idea of a “community service” for which several countries have already a legal framework. For the Civic to work, it doesn’t need the status of “legal tender”. The Civic is similar to a ticket that is required to participate in a particular event. Finally, it would be possible for the Civic to operate without referring to “notes”, and exist only in electronic form with a mobile phone system as platform. In short, there may be enough legal leeway to introduce a system like the Civic. And the emergency circumstances in which the need for such an approach is compelling can arise as the budgets of states and cities are feeling exceptionally squeezed.