

BUSINESS

MAKING MONEY

In hard times, some towns are turning to homemade currency

BY STEPHANIE FINDLAY • For the past few months, businesses in the tiny port town of Comox, on Vancouver Island, have been trying something a little different when it comes to the currency that ends up in their tills. Along with loonies, toonies and colourful Canadian bills, many have been accepting something called Community Way Dollars, which instead of the usual miscellany of faces on the back feature a photo of snowy mountaintops.

This new, alternative currency is the brainchild of Michael Linton, who's been busily trying to encourage businesses and shoppers to use the money to buy and sell local goods and services. After working out printing hiccups, Linton says that there are now approximately \$80,000 Comox Community Way Dollars circulating the valley, creating something akin to a big collective credit system that people can use to supplement regular dollars in these tight economic times. Local businesses donate the dollars to community organizations and charities, which in turn put them into the hands of individuals and into circulation. It cost \$4,000 (in real money) to get up and running, and is solely managed using Google spreadsheets. "I'm fed up with people saying there isn't money," says Linton, "There is money, you just have to create it."

The project might sound a little pie-in-the-sky, but many communities have turned to these made-up currencies in times of recession as a way of minimizing the impact of tightening credit standards and lost income. In operation since 1991, Ithaca HOURS, the oldest and largest local currency in the United States, is accepted by over 400 businesses and is used to pay for rent, groceries, car repairs and legal services. In Canada, there is also the Salt Spring Dollar, in Salt Spring Island, B.C. Britain has the Brixton Pound, among other local currencies that have popped up recently. Maybe the best known in the world, the Swiss Wir, was founded in 1934 in response to the 1929 stock market crash. It has grown to include over 62,000 people and turns over approximately \$2 billion annually.

These currencies are not illegal. There are no laws in Canada governing the production or use of these payment instruments by individual organizations, says Julie Girard, a spokes-

person with the Bank of Canada. They're just not currency "in the legal sense of the word," she adds, though companies do collect and pay taxes on the alternative currencies. So just as Canadian Tire money can be used to complement the loonie for purchases in Canadian Tire stores, alternative currencies aim to do the same in a town or region.

There are some big macroeconomic benefits to these made-up currencies. James Stod-



TOMIKO COLLINS says Community Way Dollars give her shop in Comox, B.C., a leg up over Wal-Mart

der, an economist at the Rensselaer Polytechnic Institute in Connecticut, says they can be a stabilizing force in times of crisis, acting as a buffer to volatile national currencies. For example, the volume of the Wir network expanded when bank credits were limited, and diminished when the “official” economy recovered, providing greater price flexibility. “Almost everyone would agree that doing business in one of these community currencies is less desirable,” says Stodder. “But when you can’t get any or enough of

the primary currency, this can be a lot better than nothing. It can keep the business going, and the family fed."

Mary Jeys, the founder of the Brooklyn Torch, an alternative currency launched in Brooklyn, N.Y., argues there are healthy social benefits too. To her, the Torch has put some much-needed emphasis on fostering connections within the community, especially among artists and immigrant groups. She says she was surprised at how responsive business owners were to her idea.

One major difficulty in any alternative currency scheme, however, is to get citizens to trust the system. Nevertheless, even some governments are slowly warming to the idea.

Stodder says the central bank of Brazil has invited him to look into developing local currencies to address the country's huge regional inequalities. "The bank 'thinks it's worth studying,'" says Stodder. "And although they may not necessarily back [local currencies] explicitly with their own national currency, they are considering ways of supporting them."

Part of the attraction is that because the alternative currencies don't leave the local area, and are traded in small circles, the incentive to spend is increased and so is the flow of capital. "We've heard that these local currencies can circulate faster than national currencies," says Ted Mallett, the vice-president of research at the Canadian Federation of Independent Business.

The alternative currency has been paying off so far for Tomiko Collins, co-owner of the Broken Spoke Coffee House and Bicycle Centre

in Comox. Collins, who opened the shop four months ago, says that using the Community Way Dollar is part of a larger business strategy to connect with the community. But it also provides an added incentive for consumers to choose her store over others. "We want to be competitive with other bike shops and attract consumers to buy things from us as opposed to Wal-Mart," says Collins. "We've met some amazing business contacts that we probably wouldn't have met if it wasn't for the project." M