On LETS and Time Dollars

Edgar S. Cahn

Time Dollar Institute
5500 39th St. NW
Washington DC 20015
USA

Time Dollars and LETS are both local currencies. Both eliminate interest. Both endeavor to strengthen community, to tap local capacity, and to offset or remedy some of the more toxic ramifications of the global economy. Time Dollars operate on the principle of an hour = an hour of any person’s time, no matter what service they provide. LETS, operating as a barter currency, mirrors market pricing more although rates are determined by the value of the exchange to each individual.

On my visits to the UK, proponents and organizers of LETS have been cordial but guardedly ambivalent. They challenged the intrusion of Time Dollars into their world, asking: "Why do we need still another currency? What can 'your currency' do that ours can’t do as well or better?" The real questions lurked behind those queries: How come you were able to get funding from foundations and government for Time Dollars when we can’t. And how were you able to get tax-exempt status for Time Dollars when we haven’t been able to get that kind of treatment?

The answers to those questions flow from differences in the design of the currencies. The differences are important to understand, not to play one-upmanship games – but because of the common commitment to the preservation of basic human values and building of community. Given that core set of shared values, an understanding of the differences provides a critically important foundation for exploring how these currencies can complement each other. Instead of regarding the differences as things to fight about, we would do well to think of them as distinctive strengths that might help advance shared ends through collaboration.

Let me start with the first question: If regarded as a competitor to LETS, why would anyone choose Time Dollars or Time Banking which looks like a weaker alternative? Only LETS provides immediate access to folks like plumbers, electricians, upholsterers, etc. Local merchants will accept part payment in LETS because some money is better than no money and LETS enables them to avoid being stuck with surplus inventory or skills that no one will buy. Moreover LETS turns commerce into a cause: supporting local trade builds a sense of community. LETS adherents feel a sense of solidarity and transactions turn prior strangers into allies and compatriots.

Time Dollars looks like a much more fragile, greenhouse flower. As a currency it operates through a computer program that tracks exchanges between members. It requires therefore a coordinator or broker who plays a central role as recruiter, matchmaker, bookkeeper and cheerleader. These things mean that its very birth, survival and expansion stem directly from foundation and government grants. Those sources of funding are scarce, fickle, and not known for long term staying power. Dependency on grants spells vulnerability.

The Time Dollar currency labors under other apparent disadvantages:
• Time Dollar programs don’t purport to provide the kinds of skilled labor that people want so badly.
• Time Dollar programs are probably more labor intensive to operate because of the requirement for a Time Dollar Coordinator. Time Dollar programs seem to require a warm, almost charismatic presence to generate requests for service, make matches, recruit a steady stream of members.
• Time Dollars lack price as a way to ration what is scarce. How can you have a currency that treats every hour as equal when everyone knows that some activities are more valuable than others? Doesn’t that insure that people will try to provide the less valuable services and purchase the more valuable ones?
• Time Dollars are rooted in altruistic behavior. An economic system based on altruism sounds Pollyannish; human nature is what it is: self-interest is a better bet than selflessness.

In a world dominated in large measure by commerce, the global economy has become a world of global competition, of mass marketing, of industrialization of every sphere of human activity. The trend to shift from labor intensive to capital intensive modes of production is inexorable. Technology can manufacture things of every kind in every style; it can provide computer customized cars, genetically designed tomatoes, computerized diagnosis of medical, legal, economic and other programs. Time Dollars seem ill suited to survive, in such a world, let alone compete with either money or LETS. What then accounts for its tenacious vitality and the welcome it has received from some unlikely quarters?

The answer is to be found in the way that any currency acts to both measure and facilitate and stimulate certain kinds of transactions. Both LETS and Time Dollars endeavor to build community, to strengthen local exchange networks but they do so in different ways. By changing the characteristics of money, they alter the dynamics that flow from money. But each does so differently.

LETS’ primary focus is on building a local economy that keeps currency in community and provides a market advantage for local shopkeepers and entrepreneurs. LETS is expressly a currency designed to create an alternative economy, one that seeks to offer much that the global market economy offers but on a more decent, humane, sustainable basis. It seeks to carve out a (hopefully expanding) niche for a community-based economy in the global market economy.

Time Dollars do something else. Time Dollars are not an attempt to create an alternative to market. They are designed to rebuild a fundamentally different economy, the economy of home, family, neighborhood and community. And there is nothing alternative about home and family and neighborhood. Home, family and neighborhood are not an alternative economy. They are the Core Economy. The Core Economy exists side-by-side with the world of commerce – regardless of the medium of exchanges used to consummate transactions in that world.

The Core Economy of home, neighborhood and community is complementary, not alternative. It functions on different principles of production and distribution and it supplies the substratum on which the market economy is built in much the same way that both the Market and the Core Economy are built upon the "services" supplied by the economy of nature that ecological economists have analyzed.

An analogy may help. There are cars that run on gas. But now there are cars that run on mixed fuel: electricity and gas. Those that run on gas use more fuel and emit more toxic fumes. Cars that run on hybrid fuels get better mileage and emit less pollution.

The Core Economy runs on mixed fuel. Some money is surely needed. But other things are also important: Money + Psychic Energy, Money + Love, Money + Guilt, Money + Caring, or Tradition, or Moral Obligation, or Spirituality or Altruism. Where social problems call for input from Core Economy – from the patient, the client, the student, and those groups designated as "excluded" – Time Dollars, by conferring both purchasing power and psychic reward, provide a way to generate that critically important labor.

Time Dollars’ financial support comes from this capacity to generate social capital (by mobilizing consumer input, client input, student input, patient input, tenant input, community input, citizen input) on a sustained basis and on the scale. It may be called "co-production," the labor supplied by the ultimate consumer – whether that consumer be labeled client, recipient, beneficiary, or citizenry. It is the need for that participatory labor from the consumer, the client, the citizen that has led government and foundations to underwrite Time Dollars programs and to make Time Dollar exchanges tax-exempt.

As a result, Time Dollars have been utilized to develop highly specialized programs. They have emerged as distinctly different from the "generalized" build-a-village model. In the United States, this "specialized" model has been the primary source of government and foundation funding and has functioned as a catalyst to mobilize special
constituencies to address particular social justice issues. Thus, in Chicago, Time Dollars are earned by elementary school students in a tutoring program, while in Washington DC, Time Dollars are earned by teenagers serving on youth juries that impose sentences on first-time juvenile offenders, while in New York City, seniors earn Time Dollars helping to provide ancillary non-medical services to other senior participants who have signed up with a particular group of health care providers. Each specialized model represents a kind of social entrepreneurship that addresses the need of a particular agency or service provider to enlist the ongoing participation of the very group they are created and funded to serve.

Finally, the expressly non-commercial nature of Time Dollar transactions are the source of:

- its tax-exempt status,
- its attraction to people for whom personal validation is more important than market-value,
- its ability to secure conformity to moral norms, and most unexpectedly,
- its unique value to both the market economy and public sector institutions.

The challenge for Time Dollars is to find ways to enable contribution in the Core Economy to enable one to secure access to goods and services produced in the other economies: the local economy and the global economy. Collaboration with LETS offers one obvious avenue. Time Dollars and LETS proponents could work together to encourage the development of dual pricing so that producers and consumers could elect, for any transaction, which currency they chose to use.

But the more fundamental point is clear: we will either be pitted against each other as competitors or we will collaborate to find ways to rebuild community. There are other reasons why Time Dollars should appeal to LETS proponents:

1. They reward efforts to strengthen families, build neighborhoods, and strengthen communities that are otherwise left undone or relegated to the status of volunteering.
2. Time Dollars explicitly affirm and reward critical shared values like decency and caring and mutuality; they redefine all people – young, old, disabled, developmentally challenged – as producers.
3. They drive a unique - and needed - information system about capacity, trust and availability of the young, the old, the disabled, and others who do not think of themselves as having marketable skills or goods.
4. Time Dollars are not morally neutral. They reinforce the work ethic, reciprocity, and values like trust that undergird viable market economies.
5. Time Dollars create and foster what every market economy – local or global – needs: strong families, healthy communities.

We need to work together. LETS functions as the medium of exchange for an alternative community-based market economy; Time Dollars is the medium of exchange for the Core Economy. The global market economy may have no use for an alternative economy. Yet, even those who champion the global economy acknowledge that that economy needs the Core Economy as badly as it needs air and water and the ozone layer. And sooner or later, public and private sectors will find it essential to invest in restoring both, preserving both and undoing some of the toxicity it has dumped on both.

In the course of discussions and presentations to communities in Great Britain over the past several months, some additional understandings emerged.

First, the currencies appeal to different clienteles. Some potential "users" of Time Dollars emerged who were unlikely to make use of the LETS system. Specifically agencies working with developmentally challenged persons indicated that their clientele would not be inclined or able to negotiate or bargain over the value of their labor. For them, a uniform one hour = one Time Dollar eliminated that issue and placed pre-eminent value simply on the intrinsic worth of every human being and the priceless value of love, caring and helping. Some spokespersons for the elderly expressed a similar disinclination to work for market prices – and some feminist groups noted that even though LETS exchanges reduced the most extreme disparities in valuing skilled work, it still retained some of the historical undervaluing of work traditionally done by women.

Second, specialized Time Dollar models are "top down." They restrict the ways in which Time Dollars can be earned and spent in order to address specific social problems. Spokespersons for LETS explained that LETS was developed to enlarge people’s freedom, so there was no room within the LETS philosophy to impose such restrictions on the way in which people could earn their currency. That unfettered freedom was at the moral core of LETS commitment to restoring people’s control over their own economic destiny.
That strength of LETS which gave it widespread appeal also comes with several possible consequences. It means that local exchange systems primarily empower only those who already have marketable skills and services, namely working families, businesses and professionals. But LETS has been less able to empower those whose capacity does not necessarily meet some threshold test of market. It also means that LETS cannot readily be fashioned to address some critical social justice issues because membership in LETS necessarily leaves all choices up to the individual. Thus there is no clear vehicle for the collective imposition of one agenda (including a social justice agenda) on others. At least in some manifestations, Time Dollars expressly reject the very neutrality that is central to LETS.

Because there is a shared commitment to community and a shared sense of injustice about certain unacceptable conditions and disparities, it is hoped that we would focus in the future on how best to use the strengths of each currency to provide the economic, social and political empowerment and to gain the wisdom needed to fashion answers to two questions:

- Why are we here – on this planet?
- What kind of world do we want to leave behind?

Edgar S. Cahn On LETS and Time Dollars

International Journal of Community Currency Research
2001: Volume 5
ISSN 1325-9547