



INTERNATIONAL JOURNAL OF COMMUNITY CURRENCY RESEARCH  
Vol 12 (2008) pp. 24-52

**COMMUNITY CURRENCY: AN APPROACH TO ECONOMIC  
SUSTAINABILITY IN OUR LOCAL BIOREGION**

**Natalie Terese Soder**

**2222 Ravenwood Place Lane  
McKinleyville, CA 95519  
nts4@humboldt.edu**

**ISSN 1325-9547**

**ABSTRACT**

Throughout the United States many rural areas face challenges to economic sustainability. Community currency attempts to confront these challenges by ensuring that wealth and resources are maintained within a region. The specific research question investigated in this article is, “Why do individuals participate in community currency movements and does that participation actually promote economic sustainability?” Social identity theory, social exchange theory and the concept of social capital guided the analysis for participation in the Humboldt Exchange. Key informant interviews and the Humboldt Exchange Survey 2008 were methods used to answer the research question. Survey data reveals that 44% of the Humboldt State University is aware of community currency, while 80% are unaware of the Exchange. Qualitative findings propose that individuals participate in the Humboldt Exchange because they have goods and services to exchange with others, whom they identify with, because doing so ensures that a certain amount of wealth and resources are maintained locally. However, as survey data shows, lack of awareness of the Humboldt Exchange essentially prohibits any form of economic sustainability, since this sustainability is only possible through considerable participation in the Exchange.

## **INTRODUCTION**

Individuals live in poverty for many reasons, including mental illness, drug addiction, and lack of income. One could postulate that the poverty rate in Humboldt County might be a result of a lack of resources that are maintained within the county simply because Humboldt County has a large import economy. Swann and Witt (1995) suggest that a healthy region is possible by creating “*import-replacing* industries on a continuing basis”, and further, that “A well-developed regional economy which produces for its own needs is possible only when control of its resources and finances lies within the region itself” (p. 2). Accordingly, one might ask what can we, as citizens of Humboldt County, do to improve economic sustainability and encourage localism. One possible answer is community currency. Community currency creates avenues for individuals that are currently unemployed, or are self employed, to actively participate in economic exchanges. In other words, community currency redefines “work” or formal employment to encompass informal employment, or person to person exchanges.

The Humboldt Exchange Community Currency Project is dedicated to ensuring economic sustainability within our local bioregion, while insuring that each and every individual has access to the resources needed to live above poverty. Community currencies, otherwise known as local currencies or parallel currencies, are designed and implemented as an economic supplement to United States currency (Collom 2005; Seyfang 1997; Wheatley 2006). Local currencies are designed to supplement United States currency with a local currency that is produced and used on a local basis, rather than a nation-wide basis. Collom (2005: 1565) shares that “community currency emerged in the United States, as it has elsewhere, as a means to empower the economically marginalized and to build social capital”. Community currencies foster socioeconomic sustainability and an increased sense of community. They encourage active participation within the larger community in exchanges of goods and services as a form of repayment with each other, or with local business. Consequently, this keeps local wealth within the local community. Exchanges can be based on a monetary exchange for goods or services, or a barter exchange where one exchanges a good for a service, or a service for a good.

### **The Study Area: Humboldt County, California**

Humboldt County is a rural community in California’s northwest, with a population of 128,330 (United States Census Bureau 2006). For years the economy was sustained through wood products and the timber industry (Environmental Protection Agency 2004). The Environmental Protection Agency (2004) asserts that “in the 1950s, the lumber industry employed 50 percent of the county’s labor force. With the decline of both the lumber and fishing industries, workers shifted to lower paying jobs in the service sector.” Since this decline in the lumber industry the county’s poverty rate has risen well over that of both the state and nation. Data from the U.S. Census shows that in 1969 12.3% of Humboldt County’s population lived in poverty.

Humboldt County has experienced a major increase in poverty over the past few decades. The American Community Survey of the U.S. Census (2006) dataset for Humboldt County shows that 17.9% of the county’s population lives below the poverty level, compared to 13.1% of individuals in California and similarly 13.3% in the United States.

## **PROBLEM STATEMENT**

In the United States, as elsewhere, legal currency is used as the primary means of acquiring and exchanging goods and services. On the contrary, an increasing number of individuals use community currency as either a supplementation or alternative to federal currency. This research will question whether community currency, specifically the Humboldt Exchange, has the ability to influence economic sustainability. The notion that community currency is a viable alternative to federal currency is not well researched and thus the purpose of this research will be to not only examine if community currency is viable, but to also examine if community currency promotes economic sustainability.

This research applies concepts such as social movement, social capital, and social exclusion to the practice of community currency. Application of these concepts, to the practice of community currency, in tandem with social identity and social exchange theory, permits this research to examine if individual involvement in community currency promotes economic sustainability and combats poverty. This research will increase our understanding of the importance of community currency. The primary research question of this thesis' is: Why do individuals participate in community currency movements and does that participation actually promote economic sustainability?

## **LITERATURE REVIEW**

Community currencies, otherwise known as local currencies or parallel currencies, are designed and implemented as an economic supplement to United States currency. Collom (2005) shares that "community currency emerged in the United States, as it had elsewhere, as a means to empower the economically marginalized and to build social capital" (p.1565). Local currencies are designed to supplement United States currency with a local currency that is produced and used on a local basis, rather than a nation-wide basis. Supplementation, or rather augmentation, of U.S. currency increases the local money supply by ensuring that money cannot leave the local area; once U.S. currency has been exchanged for community currency it only has value within a specified area. Consequently, allowing more transactions to take place and inclusion of the economically marginalized. Community currencies foster socio-economic sustainability and an increased sense of community by encouraging community members to actively participate in exchanges of goods and services for money, with one another, or with local business, consequently keeping local wealth within the local community (E.F. Schumacher Society 2006; Ithaca Hours 2005; Swann and Witt 1995). Exchanges can be based on a monetary exchange for goods or services, or a barter exchange where one exchanges a good for a service, or a service for a good.

There are many working community currency systems throughout the United States, Canada, and the United Kingdom. Wheatley (2006: 2) contends that "there are approximately 4,000 complementary currency systems worldwide, with varying degrees of formality and size". Many community currency systems are designed as social change agents, meaning that the purpose of most programs is to educate the public about economics and localism, specifically economic sustainability.

The community currency system discussed in this study is the Humboldt Exchange, in Humboldt County, California. This system consulted in this study has a printed currency with an exchange rate of one community dollar to one national dollar. The Humboldt Exchange has suggested that a minimum wage of \$10 be applied to all work done (Humboldt Exchange Coordinating Collective 2008). The Humboldt Exchange publishes a public directory of goods and services that are offered by participants. Community currency systems differ from

national economic systems in that local systems promote “increased social interactions, increased importance of individual reputations, strengthened community and regional loyalties, and increased exchange of informal services” (Wheatley 2006: 2). In this sense community currency can be defined as a social movement attempting to tie the local community together and decrease reliance on imports.

Social movement, social capital, and social exclusion are among the sociological lenses this research explores. Community currency is a form of social action, whether that action be to promote localism or increase an area’s standard of living; thus, community currency is a social movement. Individual participation in community currency projects is motivated through increased social networking, economic sustainability, local business development, and social change. By increasing social networks and ties community currencies perpetuate social capital. Community currency attempts to destroy social exclusion by providing individuals with informal employment opportunities, at a minimum wage of \$10. The above terms will be explored further in the proceeding pages of this thesis.

Community currencies foster economic sustainability in many ways. Using community currency demonstrates one’s interest in perpetuating economic sustainability of the community in which one lives. Furthermore, community currency promotes economic localization within the local bioregion by insuring that the wealth produced through the exchange of goods and services stays within the local area. Community currency programs create avenues for economic sustainability of both communities and marginalized individuals, and concurrently create social networks, otherwise known as social capital, because individuals don’t have to be formally employed to be involved in economic exchanges. It is necessary that the terms bioregion, economic localization, economic sustainability, and social capital are defined before exploring prominent community currency systems in North America.

## **DEFINITION OF TERMS**

### **Bioregion**

The term bioregion is often missing from academic literature, but very important to the study of community currency; bioregion encompasses the natural environment of a specific area, including the natural boundaries of that area. For the purpose of this research, I will refer to the cities of Eureka, Arcata, and McKinleyville as the local bioregion. Individuals and business owners in these cities currently participate in the Humboldt Exchange. Individuals in these towns have come together in a political movement attempting to create economic sustainability in their area. I am adopting the term bioregion from the Humboldt Exchanges’ (2007) mission of “promoting economic sustainability in the local bioregion.” In essence, I am adopting the language of the project I am studying.

Community currency increases consumer awareness, promoting economic growth, and increasing local exchanges. Community currency increases the exchange of goods and services that are produced within the local bioregion, in turn fostering community and economic growth and independence. Community currency minimizes the reliance that local communities have on traditional U.S. currency; thus, if community currency is used in the way it was intended to be used (i.e. community members are using the community currency

in exchanges for goods and services with one another or with local businesses) the local community, or bioregion, will not be impacted in the case of a recession.

### **Economic Localization**

Economic localization is the process through which geographic regions free themselves from dependence on the national economy and produce a significant portion of goods and services within the local area (Bay Localize 2008). Community currency promotes economic localization and sustainability by promoting community self reliance by insuring that the region's economic and capital resources are sustained within the local bioregion.

Willits Economic Localization (WELL) explains economic localization as

The process of localizing our economy give[ing] us an opportunity to focus on our shared values and develop friendships... We are seeking creative ways to become economic partners with each other and our environment. The goal is to find creative methods to sustain and empower the local community while moving away from global (imported) resources – in essence, to ‘localize’ our community (03/13/2007: [www.willitseconomiclocalization.com](http://www.willitseconomiclocalization.com)).

Economic localization essentially encourages community members to actively participate in exchanges with one another and to buy locally produced goods from local businesses. Ithaca Hours, a successful community currency project discussed later, promotes economic localization by working with local business owners and tracking the goods and services that the local businesses buy from outside of the area and then connecting the business owners to businesses and individuals in the local area that can supply these same goods (Swann and Witt 1995).

### **Economic Sustainability**

Economic sustainability differs from economic localization because localization encourages a barrier between local economies and the national economy. Pearce and Barbier (2000) define economic sustainability as “ensuring that future generations have at least the same potential economic opportunities to achieve welfare as the current generation” (p. 21). Economic sustainability is the process through which all individuals, marginalized or not, are offered the same economic opportunities. Community currency strives to offer all individuals the same avenues for economic gain.

For the purpose of this article, economic sustainability will refer to an equality of access to resources needed to meet the basic needs of an individual, by ensuring that resources are sustained within the local bioregion.

### **Social Capital**

Social capital refers to the cohesiveness of people and society. Social capital involves the common rules and norms of society and the exchanges and connections between individuals or groups (Pretty 2006). Annen (2003) defines social capital as “a player’s reputation for being cooperative within a social network. A social network is a set of players and a pattern of exchange of information and/or goods among these players. A player may be a person or an organization” (p.454). Cooperation is more likely in simple exchange settings (Annen 2003, Pretty 2006). Furthermore, community currency has the capability of fostering the growth of social capital because components of community currency have a limited complexity; community currency is based on a person to person exchange of goods and services.

Social capital and its connection to community currency will be discussed in more depth in the following sections.

## **BRIEF LOOK AT THREE COMMUNITY CURRENCY PROGRAMS IN NORTH AMERICA**

A brief examination of two prominent community currency systems helps contextualize the Humboldt Exchange. Both Ithaca HOURS and Calgary Dollars are successful movements. This section will contextualize the Humboldt Exchange in reference to Ithaca HOURS and Calgary Dollars (See Table 1). Ithaca HOURS and Calgary Dollars were selected for comparison in this thesis because these community currency projects are the most prominent in North America (E.F. Schumacher Society 2006; Wheatley 2006). Calgary and Ithaca are both college towns, as is Arcata.

### **Ithaca Hours**

Ithaca is a small town within a small county in upstate New York. Ithaca's population, of 29,952 (U.S. Census 2006), is similar to that of Arcata, California, in that it is a university town. Ithaca is home to Cornell University and therefore has a student population that almost rivals that of the town population. Because Ithaca's small population includes 7,500 or so students, who are not permanent residents, Ithaca has a service-based economy (Jacob et al. 2004); the service to the University population, both students and staff, is the residents' primary source of income. Jacob et al (2004) assert that "with 20 to 25 percent of its population students, the Ithaca region fits comfortably into the designation of service economy" and within that context define a service economy as one that "covers a wide range of occupations, from relatively high paid researchers and teachers to minimum wage retail and food industry workers" (p.43). This wide range of incomes creates a large disparity between the haves and the have nots.

Income disparity, some would argue, is a characteristic conducive to communities adopting community currency systems. Another characteristic of communities that create currency systems is an "intellectual culture that defines a university and college town, creates a mix of political and academic variables calculated to foment the kind of thinking, and subsequent action, that takes radical exception to the status quo" (Jacob et al 2004: 44). The intellectual culture characteristic of communities adopting local currency is consistently identified in much of the research focused on community currency. Collom (1998) argues that community currencies emerge in communities, including Ithaca, comprised of intellectual people. Jacobs (2004) takes Collom's (1998) argument a step further by suggesting that intellectuality combined with a radical nature is conducive to formation and adoption of community currency programs. In Ithaca, this radical nature inspired Paul Glover's—a grassroots activist—desire to lessen the economic divide. Collaboration with other radicals cultivated what has become known as Ithaca HOURS (Jacob et al 2004: 44), which has since become known as the most prosperous local currency systems in the United States. HOURS is the designation given to the unit of exchange used in the Ithaca model. Ithaca Hours, Inc. (2005) state that HOURS name is "meant to remind you that, in addition to being a medium of exchange for commodities, currency represents someone's labor, the time taken to provide a skill or perform a service. Your time is worth something to someone else."

The HOURS model allows consumers to buy and sell goods using HOURS. More than 2,000 Ithaca residents and 300 local businesses participate in the HOURS program (E.F. Schumacher Society 2006). Paul Glover shares that “here in Ithaca, New York, we’ve begun to gain control of the social and environmental effects of commerce by issuing over \$110,000 of our own local paper money, to thousands of residents, since 1991” (Ithaca Hours, Inc. 2005). Ithaca HOURS are exchanged on a one to one basis with U.S. dollars. Individuals wishing to exchange their U.S. currency for HOURS can do so at a local book store. Furthermore, the HOURS program has also gained participation from the Ithaca Health Alliance, which is a local health agency dedicated to facilitating access to health care for everyone by serving as a healthcare provider. Universal access to healthcare, within Ithaca, is achieved by insuring affordable healthcare and providing free healthcare to those lacking money to pay for it, while allowing participants to subsidize partial payment for health care in HOURS.

In an effort to create a level playing field—in monetary terms—for Ithaca area residents, the HOURS program has set a minimum wage of \$10.00 an hour, which is double that of the New York state minimum wage. The \$10 an hour minimum was set because that was the average hourly wage of Ithaca residents at the time the HOURS program was adopted (Ithaca Hours, Inc. 2005); thus, a level playing field is created by ensuring that HOURS participants are receiving a wage comparable to other Ithaca residents. In relation to the HOURS set minimum wage and the logistics of the program Glover shares:

The Ithaca HOUR is Ithaca's \$10.00 bill, because ten dollars per hour is the average of wages/salaries in Tompkins County. These HOUR notes buy plumbing, carpentry, electrical work, roofing, nursing, chiropractic, child care, car and bike repair, food, eyeglasses, firewood, gifts, and thousands of other goods and services. Our credit union accepts them for mortgage and loan fees. People pay rent with HOURS. The best restaurants in town take them, as do movie theaters, bowling alleys, two large locally-owned grocery stores, our local hospital, many garage sales, 55 farmer's market vendors, the Chamber of Commerce, and 300 other businesses. Hundreds more have earned and spent HOURS who are not in the HOUR Town directory (Ithaca Hours, Inc. 2005).

The HOURS program, like all other community currency programs, is designed to foster the growth of the local economy, within Ithaca, while encouraging the participation of community members despite their social location, and ensuring that the economic gains are maintained locally. A Circulation Committee keeps track of HOURS and controls the supply of HOURS within the community.

### **Calgary Dollars**

Calgary Dollars were first issued in Calgary, Canada in 2002. Calgary Dollars is a “grassroots currency system that brings together local talents and resources to strengthen our local economy and build community” (Calgary Dollars 2005). Calgary’s grassroots system is funded by United Way—an organization independent of Calgary Dollars, and part of the municipal government’s charitable funding agency—and revenues generated through advertising and membership (E.F. Schumacher Society 1997). Calgary Dollars are based on a one-to-one exchange ratio to Canadian currency. The Arusha Centre, which is a non-profit dedicated to development education, is the umbrella organization of the Calgary Dollars project.

According to the E.F. Schumacher Society (2006), Calgary Dollars has over 400 members and 150 businesses participating in the program. The City of Calgary has partnered with the Calgary Dollars to allow members to use 100% Calgary Dollars to purchase city transit tickets and passes for city recreation areas including swimming pools (E.F. Schumacher Society 2006). Calgary Dollars is supported by the city government: "City Hall alderman voted in the summer of 1999 to support Calgary Dollars and this decision resulted in the acceptance of Calgary Dollars for Calgary Transit tickets and recreation centre tickets" (Calgary Dollars 2005). Other participating businesses include restaurants, car-shares, rent co-ops, and video rental. Rent co-ops include individuals sharing housing, cars, and appliances.

### **Humboldt Exchange**

The Humboldt Exchange Community Currency Project is situated in Humboldt County, California. Humboldt County, California, is a rural county with a population of 128,330 (U.S. Census Bureau 2007). Humboldt State University, with a student population of approximately 7,500, is located in the second largest city in the county. Since Arcata is a university town, it is a service economy with relatively high paid professors and researchers, and low paid laborers. Wikipedia (2007) defines a university town as one where "the educational institution(s) presence pervades economic and social life." Some argue that Arcata and Eureka would not "be on the map" if there was no university here. The university brings in around 1,000 new students each year and employs 551 faculty, as well as many other staff (HSU Analytic Studies 2007).

For some reason or another, poverty is a recent phenomenon in Humboldt County. The U. S. Census Bureau (2007) reports that in 2004 15.4% of the Humboldt County population lived below the poverty level, up 3% from the 1969 level of 12.3%. Consequently, Humboldt Exchange Community Currency, otherwise known as the Exchange, seeks to support economic sustainability within the local bioregion (Humboldt Exchange Coordinating Collective 2006). The Exchange strives to provide income opportunities to those that are currently unemployed or looking for work. In other words, an individual that is jobless is offered the opportunity to exchange their goods and services with another person at the livable wage of \$10 an hour. The Exchange functions based on the premise that every individual in society has something to offer others. The Exchange attempts to create a level playing field for the haves and the have nots by requiring a minimum wage of \$10 an hour.

The Humboldt Exchange ratio is: one United States dollar is equivalent to one exchange dollar; one Humboldt Exchange Community Currency dollar is equivalent to one United States dollar (Humboldt Exchange Coordinating Collective 2006). While other local currency systems have a central accounting system, the Humboldt Exchange is based on person-to-person exchanges with no accounting. Exchange personnel do suggest an exchange rate of half community currency and half United States currency, with a minimum livable wage set at \$10 an hour. For example, I have some yard work that needs to be done, so I hire "A" to do that work for me. It takes "A" 3 hours to do all the work, so I owe her/him \$30 (\$10 per hour x 3 hours). I pay "A" \$15 community currency and \$15 United States currency. Furthermore, "A" and I are engaging in participatory democracy; we are facilitating our own exchange based on the guidelines set by the Humboldt Exchange. "A" and I are engaging in a person-to-person exchange, and thus ensuring that at least half of the money exchanged stay within the local economy because those monies that are community currency cannot leave the local area. Restricting monetary value to the local economy promotes economic sustainability.

According to the Humboldt Exchange Coordinating Collective (2006), the governing body for the Exchange, the Exchange is designed to foster the sustainability of the local economy: Because Humboldt County Currency bills re-circulate within the community indefinitely, rather than leaving the area after only a few transactions, as U.S. dollars often do, the entire community benefits from them over and over. As more and more businesses and individuals choose to accept Humboldt Community Currency, our local economy will be strengthened, making Humboldt less vulnerable to outside economic dominance and instability.

The Humboldt Exchange attempts to counter the loss of wealth in the community, which results from leakages of money due to imports, by promoting individuals to spend money locally and use Exchange currency. Since Exchange currency cannot be used outside of the county, money is sustained within the local economy; in other words leakages are kept to a minimum. Community currency encourages individuals to participate in democratic processes by facilitating everyday interaction with members of the same community. Exchange of goods and services are individually facilitated. Individuals freely participate in the Exchange; participation is rooted in free choice. In this sense, the Exchange is a participatory democracy, a true democracy, where participation is based on free choice. Ultimately, “creating community currencies encourages participatory democratic processes and shows non-hierarchical systems empower people, and nurture hope, creativity, respect and compassion” (Humboldt Exchange Coordinating Collective 2006). Moreover, the Exchange serves as a basis for interaction among individuals, increased social capital, building “community”, social identity formation, group membership, collective action and rational exchange.

Ithaca Hours and Calgary Dollars have a much larger participant base than the Humboldt Exchange. Ithaca Hours and Calgary Dollars both have much larger business participation than the Exchange. Unlike Calgary Dollars and Ithaca Hours, the Exchange lacks a central accounting system that would keep track of how much community currency is circulating in the county. A similarity between these three community currency systems is that they are all stationed in a college or university town. Another difference between the Exchange and the Hours and Dollars is that the former lacks a government subsidy for operation.

## **THEORETICAL APPLICATIONS**

### **Social Exchange Theory**

One way to analyze the Humboldt Exchange, which is a form of social action, is to ask what interests it serves, who benefits from involvement and interaction in the exchange? Social exchange theory starts at the level of interaction between individuals (Calhoun, Gerteis, Moody, Pfaff, and Virk 2002). Interaction between individuals is essentially an exchange between those individuals. Coleman and Fararo (1992) explain that “interaction between persons is an exchange of goods, material and non-material” (p. xi). The Humboldt Exchange, as the name implies, facilitates exchange-based interaction among individuals in a community. Moreover, Humboldt Exchange participants are engaging in an exchange of goods and services, while these goods and services may be tangible or intangible goods or services. Dillman (2007) asserts that “social exchange is a theory of human behavior used to explain the development and continuation of human interaction” (p.14). The premise to social exchange is that social interaction has value to individuals. Individuals become involved in

social exchanges, or economic exchanges, because they need things from each other – the other person has something to offer that one cannot provide for themselves (Calhoun et al 2002; Dillman 2007).

Coleman (1988) shares that an economic exchange is carried out when both individuals, who are voluntarily participating, find it to their personal advantage, based on voluntary participation. In reference to voluntary participation, social exchange cannot take place if one is coerced into participation; social exchange is contingent on voluntary participation. “An economic exchange occurs, or a social interaction occurs when...both A and B find it beneficial” (Coleman 1988:116). Humboldt Exchange participants meet the voluntary participation tenet since participation usually occurs when an individual finds out about the project, and recognizes that they have a need for an economic exchange with another participant. The Humboldt Exchange is reliant entirely on voluntary participation. This voluntary participation is based on what Homans (1958) labels as cohesiveness.

Homans (1958) defines cohesiveness as “anything that attracts people to take part in a group” (p.599). Taking part in a group is dependant on communication, or interaction with other group members. Cohesiveness refers to the degree of reinforcement individuals receive from participating in a group (Homans 1958). The Humboldt Exchange, or any other community currency project for that matter, would not survive in absence of cohesiveness. Cohesiveness attracts new members to the Exchange, and encourages old participants to continue participating. Reinforcement is contingent on what an individual identifies as the basis for participation, which can be as simple as networking with likeminded individuals to as complex as supporting a political/social agenda.

*Rewards.* The Exchange is based on social relationships that individuals, or participants, enter into based on their own free will. Blau (1964) bases this social relationship, or exchange, on both intrinsic and extrinsic rewards. An intrinsic reward is defined as an inner pleasure of being with someone, a pleasure of participating with another individual – possibly an inner pleasure of group membership (Blau 1964). Networking and social interaction are intrinsic rewards of participating in the Exchange. An extrinsic reward is one based on tangible goods and services that someone can, or has to, offer. Tangible goods and services may have a monetary value attached to them. In the case of the Exchange, a tangible good or service is worth \$10 an hour.

The Humboldt Exchange can be examined in relation to both intrinsic and extrinsic rewards. Both intrinsic and extrinsic rewards are useful in assessing why individuals chose to participate in community currency programs. Some individuals identify their basis for participation as one of intrinsic reward. A focus group respondent shared that she participates in the exchange for “the networking capability.” Another focus group respondent shares that his participation is based on extrinsic rewards; he runs a mow and blow service, which he advertises through the exchange, so he has a tangible service to offer in exchange for cash, community currency, or some other tangible good. Accordingly, the Humboldt Exchange is based on both intrinsic and extrinsic rewards that play a part in an individual’s decision to voluntarily participate in the project.

Social exchange theory is very relevant to the Humboldt Exchange, especially in explaining why individuals participate in the project. From this brief examination of social exchange theory one can surmise that participants continue to participate by creating social relationships with others in the Exchange process. Individuals’ voluntarily participate in the Exchange because they find an advantage or reward in doing so, whether that reward is

intrinsic or extrinsic. Social exchange theory offers a framework for evaluating why an individual would participate in the Exchange. The Humboldt Exchange facilitates valuable social interaction between participants. A social identity is formed through the social interaction that is occurring between participants.

### **Social Identity Theory**

Social identity theory seeks to explain human tendencies to affiliate with social groups and act in accordance with those groups. Bluic, McGarty, Reynolds and Muntele (2007) share that “social identity theory postulates a link between the degree to which people define themselves in terms of social identity and a commitment to take action in line with the norms of those groups” (p.19). Individuals have both social and personal identities. Deaux (1996) asserts that “personal identity is highlighted by thinking of the self in terms of unique attributes, whereas social identity operates when an individual thinks in terms of similarities to other members of an in-group and differences from an out-group” (p.780). Individuals participating in the Humboldt Exchange have developed social identities that relate to their specific involvement in the Project.

Social identities involve participants’ assumptions about their personal similarities to other participants. Similarities can be based on the fact that all participants participate because they have something to offer in terms of tangible or intangible goods and services, or that most participants are interested in some sort of social change. Community currency systems, in and of themselves, are social change movements. The social change element is usually focused on providing economic sustainability in a local area by ensuring a level playing field to all members of that society. A level playing field is created through the \$10 minimum wage requirement.

Social identity theory postulates that a strong social identity makes political protest on behalf of that group more likely (Bluic et al 2007); political protest movements are a form of social change. The Humboldt Exchange, from my limited research, is comprised of progressively minded individuals demanding that the economic structure of the United States be revamped in such a way as to ensure equity for all; equal wages, no discrimination, and sustainability of localism and rural communities. Thus, group members share social identities while this sharing of social identities allows the Exchange to collaboratively function and promote social change.

*Social Change Agent.* David Cobb, the executive director of Democracy Unlimited of Humboldt County, and a stakeholder in the Humboldt Exchange, explained to me that the project attempts to serve as a social change agent. Three areas for social change were identified: 1. support efforts of “fire fighters”; those seeking an abolishment to capitalism and oppression in order to create a free and equal society; 2. creating alternatives to current systems and institutions that still meet people’s needs; 3. challenging legal institutions that perpetuate capitalism (Cobb 2007). Despite these recommendations for social change, most participants cannot be described as activists.

*Social Identities.* Bluic et al (2007) share that “identification with activist or pressure groups, or with a movement designed to bring about social change, tend to be better predictors of commitment to take action” (p. 20), rather than indicators of an actual activist. Exchange members are committed to acting in efforts to create equality, but it is not safe to assume that all participants agree with the anti-capitalist basis for social change explained by Cobb. Consequently, my future research will focus on shared values and beliefs and explore if social identification with progressive or radical movements are a precursor to involvement

with the Exchange. As mentioned earlier, social identity theory maintains that individuals participate in group membership based on a shared social identity; however, the extent of that shared social identity is unknown to me at this time.

Social identities are based on shared opinions, thus social identity theory postulates that “to the degree to which people see themselves as members of a group (i.e. they identify with that group) they should be more willing to commit to action in line with the norms of these groups” (Bluic et al 2007: 20). Examining the extent of social identification is necessary for an evaluation and examination of the Humboldt Exchange. Unfortunately, it is unknown whether Exchange participants share Cobb’s implications for social change.

*Group membership.* In relation to the level playing field, briefly mentioned above, social identities allow for a shared discourse about the welfare of group members. Welfare of group members is encouraged through cooperation within the group. Cooperation between group members opens up an opportunity to advance the agenda of group members. Simpson (2006) contends that

social identification increases cooperation by reducing actors’ tendency to draw distinctions between their own and others’ welfare...social identity has strong effects on cooperative behavior with in-group members...identity increases cooperation with in-group members by influencing actors expectations about fellow in-group members’ behaviors (P. 444).

In-group membership simply refers to group members. Exchange participants’ agendas support the welfare of all participants, including individuals that live in the same area but do not participate in the Exchange. Economic sustainability is one of the top priorities of the Humboldt Exchange. Exchange participants desire economic sustainability within our local bioregion, which essentially affects every individual living within Humboldt County. The connection between social identity theory and the Humboldt Exchange is that through cooperative interaction and similar social identities participants are able to collectively promote social welfare.

*Identity Salience.* Another important concept of social identity theory is identity salience. Identity salience is important to collectivity and group cohesion (Jetten and Postmes 2006). When identity salience is high, group cohesion is very high, group behavior involves the “suppression of individual thought”, and the group well-being is high (Jetten and Postmes 2006: 123). These assumptions hold true only when group cohesion is very high. As I mentioned above, group cohesiveness refers to the ability of the group to acquire new members, or what influences one’s decision to join a group. If individuals are receiving a lot of reinforcement for participating in a group the group cohesiveness is said to be very high. In absence of cohesiveness a group might fall apart because of intragroup rivalry and disagreements (Jetten and Postmes 2006). Furthermore, group cohesiveness may be informed by social capital. Groups stay together for reasons outside of a collective social identity. Groups might form and stay together to build social capital. Social capital can increase a group’s cohesiveness.

### ***Conceptual Applications***

This section deals with the conceptualization and contextualization of the terms social capital, social movement, and social exclusion. Conceptualization of these terms is important to the use of them in the discussion portion of this research.

## **Social Capital**

Although social capital lacks a formal definition, scholars including Bourdieu (1990) differentiate between social, economic and cultural capital. Economic capital is based on material property; social capital is contingent on social networks; cultural capital is prestige (Bourdieu 1990). Putnam (2000) shares that the term social capital “turns out to have been independently invented at least six times over the 20<sup>th</sup> Century” (p. 19). Social capital is based on the premise that social networks have value. Wheatley (2006) explains that “central to most definitions of social capital is participation in political, civic, religious, workplace, informal, and volunteer relationships” (p.15). Social capital is created through sharing and trust, which are created during participation in political, civic, voluntary, etc. relationships. Recent trend has seen a decline in civic, political, religious, and volunteering, among other things (Wheatley 2006).

Wheatley (2006) contends that,

As the consensus on defining social capital has grown and its levels have declined, complementary currency organizers have been given both a conceptual framework as well as motivation to rally communities around the creation of new forms of currency (P. 16).

Social capital benefits of community currency programs include, but are not limited to, creating new friendships, diversifying the concept of work, impacts on quality of life, and increased social interaction. In a community currency setting, social capital benefits outweigh economic benefits (Wheatley 2006, Seyfang 2001). In other words, community currency supports the expansion of social capital, but doesn't inherently create economic advantages that are greater than social capital advantages. The social and community benefits of community currencies are seen by some as far outweighing economic benefits (Seyfang 1997).

*Social interaction.* Social interaction, one of the identified social benefits of community currency systems, is among the social capital that is gained through participation in community currency movements. Social interaction can “create future exchange opportunities, sharing of personal interests, and improved personal development” (Wheatley 2006: 18). Negotiations based on time-lines for exchange, requirements of exchange, and price of exchange are collaboratively agreed upon by participants engaging in social interaction (Wheatley 2006).

*Information channels.* Information channels also serve as forms of social capital. Coleman (1988: 113) asserts that “information is important in providing a basis for action.” Similarly, Exchange members may use other members as a means of information about different areas of interest of expertise (Coleman 1988). Information dissemination increases social capital as well as catalyzes social action.

*Heightened sense of community.* Community currency movements also create a heightened sense of community. A heightened sense of community refers to the connection that one feels to the community in which they live. Components of a strong, or heightened, sense of community include the trust that community members have that in times of need, they can rely on other community members to help them out. Involvement in community events and committees also increase a sense of community. This sense of community is developed through interaction with both in-group and out-group members. Community values are perpetuated when individuals that don't participate in the Exchange still seek out the goods and services offered through the Exchange. For example, a focus group respondent shares “a lady called me and said you know I saw your ad and I think it was a community currency, but

you know can I still hire you if I don't have any community currency? I said yes I take American." An out-group member sought the expertise of an in-group member thus promoting cooperation between the in-group and out-group while promoting social capital by strengthening community ties.

*Increased civic participation.* Wheatley (2006) identifies that attendance at community currency social events is an indicator for social capital. I have been to two events hosted by the Humboldt Exchange: a pancake breakfast and an open Exchange meeting. Approximately 40 people were present at the pancake breakfast, with around 12 individuals staying after the breakfast for an Exchange informational meeting—the meeting was based on teaching individuals about the Exchange, the nuts and bolts of the program. The Exchange open-meeting that I went to had a participant base around 15. Social events allow participants to increase economic capital through direct exchanges made at the event; social capital is increased as participants create new friendships with other participants (Wheatley 2006). One limitation to my data collection thus far is that I have no way of knowing how many Exchange social events one participates in, or how many social networks are created through involvement in social events. During my observations I heard over and over that participants choose to participate because of the social networks that are created by doing so.

In relation to social capital, the Humboldt Exchange fosters the growth of friendships, community ties and a sense of community, increased civic participation and in some instances may increase one's quality of life. In order to fully understand community currency programs one must situate the programs within the context of a social movement.

### **Social Movement**

Community currency movements are a form of social action, or social movement. A social movement is defined as collective behavior to achieve a change in social order. Vago (2004) offers four types of social movements based on what it is that the social actors wish to achieve, or the objectives of participants. Based on Vago's (2004) classification the Humboldt Exchange would be identified as a revolutionary movement. Vago (2004) defines a revolutionary movement as one where "participants...are deeply dissatisfied with the existing social order and promote change in accordance with their ideology. Such movements can bring about sweeping social changes" (p. 218). Not all community currency projects can be classified as revolutionary; the Humboldt Exchange is unique since its umbrella organization, Democracy Unlimited of Humboldt County (DUHC), is a radical progressive-minded organization. The Exchange, in essence, has adopted parts of DUHC's political agenda, including the abolishment of capitalism.

Community currency movements gained credence during the late 1990's. Wheatley (2006) explains that "social movements sought to create sustainable and just alternatives to emerging global issues rather than simply protesting injustices" (p. 5). Globalization has been identified as the primary social movement encouraging the formation of community currencies (Wheatley 2006). "As a result of globalization, social movements have identified the importance of the local, specifically the need to strengthen the individual's connection to the community" (Wheatley 2006: 6). The Humboldt Exchange, as I have mentioned above, emphasizes the importance of localism, the importance of maintaining or sustaining the local economy, while strengthening a sense of community or one's connections to the community.

## **Social Exclusion**

Individuals living in poverty are socially excluded in much the same way that other marginalized groups are. Social exclusion encompasses inequality and marginalization of certain groups of people. For the purpose of this paper we will examine social exclusion in reference to poverty. Social exclusion means incomplete citizenship and unequal access to the status, benefits and experiences of typical citizens in society (Brady 2003; Robila 2006). Robila (2006) offers the following formal definition of social exclusion: “social exclusion is a rupture of social bonds, a process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live” (p. 87). Individuals actively searching for a job, but unable to find one are socially excluded in the sense that they are lacking the monetary sources needed to live, because they have no income.

In order for community currency to combat social exclusion we, as a society, must first advocate the “rebranding of poverty as exclusion” (Cameron 2007: 519). In the past some have blamed poverty on social exclusion (Robila 2006; Jordan 1996; Haan 1998) and others claim that poverty is an element of social exclusion (Robila 2006; Abrahamson 1995). I argue that poverty is a form of social exclusion, instead of a result of, or an element of social exclusion. Social exclusion describes a group of marginalized individuals that are excluded as a result of the lack of financial resources for housing, education, and general costs of living, as well as restricted access to resources.

Community currency rectifies the problem of social exclusion by creating alternative means of employment. Community currency redefines what has been traditionally labeled as work to include work that one individual can offer another individual (Seyfang 2001). An individual that doesn't have a full or part-time job, but still has goods or services that they can offer another can do so in exchange for community currency. In other words, if someone is an expert in computers, but does not formally teach computer classes, they can teach a friend their skills in exchange for community currency. Individuals that are not formally employed are offered an income through exchanges in community currency programs.

## **CONCEPTUAL FRAMEWORK**

This article examines the conceptual level of interaction in community currency, specifically the Humboldt Exchange Community Currency Project. The concepts of social movement, social exchange, social identity, social capital, and economic sustainability and inclusion are all intertwined in the concept of community currency.

Community currency is a social movement that creates an avenue for social exchange to take place between individuals of society. The socially excluded benefit from interaction in this social exchange because they can participate in exchanges for goods and services that they may not necessarily be involved in in absence of a community currency program. Participants are able to promote social action through cooperative interaction in social exchanges, while forming similar social identities.

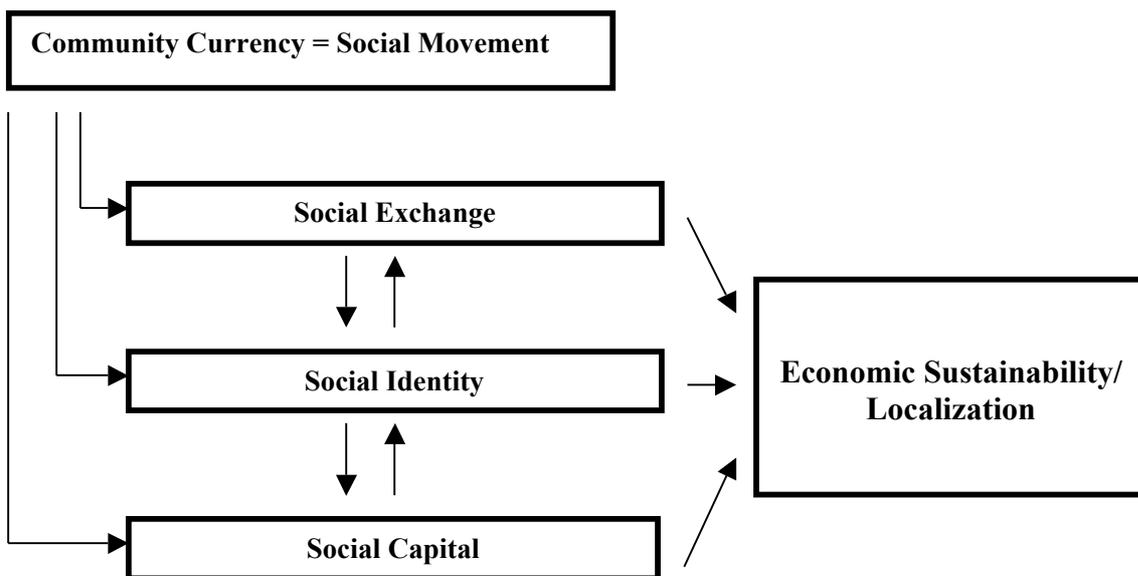
Community currency, as a social movement, creates social identity (See Figure 1). Individuals involved in the Exchange create group cohesion, which is more likely to foster social change, specifically economic sustainability in our local bio-region. Groups, or social

identities, might form and stay together in efforts of promoting social capital. Social capital can, simultaneously, increase the cohesiveness of a group; in other words, social capital can increase social identity.

Social capital is increased by individual's interaction in community currency. Community currency increases social capital by increasing civic participation and perpetuating a heightened sense of community. The social networks created by community currency create avenues for the socially excluded to participate, since social capital diversifies the concept of work and therefore impacts one's quality of life.

Community currency participants are involved in a social exchange of goods and services. A social identity is created through these exchanges as individuals begin to notice that they have something in common with other participants, whether that commonality is the need for a certain good or service, an offering of a good or service, or a general commitment to social change. The interaction of social exchange and social identity creates a sense of community among members; accordingly, increasing social capital. Increased social capital, in turn, enhances social identity. These interactions, with high levels of participation in the Humboldt Exchange, repeatedly promote economic sustainability by ensuring that wealth is maintained within the local area because the pocket of community currency that is being used for the exchange of goods and services cannot move outside the local bioregion. Social exchange, social identity and social capital all promote economic sustainability and localization (See Figure 1). The interaction of these concepts increases participation in community currency and offers a channel for achieving economic sustainability in a specified region. Social identity and social exchange increase social capital. Community currency offers a course through which the socially excluded can rebuild social networks and thus be included in society.

Figure 1: Conceptual Model



## **METHODS**

Qualitative and quantitative data facilitated an examination of the Humboldt Exchange Community Currency Project. Both the qualitative and quantitative data used in this thesis were initially gathered for a program evaluation of the Humboldt Exchange that I commenced with Matthew Jelen, a fellow sociology graduate student. Approval to conduct this research was granted by the Internal Review Board (IRB) at Humboldt State University.

A multi-method research approach was used involving key informant interviews, focus groups, field notes and surveys. Key informant interviews were with Humboldt Exchange participants and Exchange Committee members. A survey of individuals that we label as non-users was executed through the Humboldt Exchange Survey 2008. Secondary sources, including an examination of the literature surrounding successful community currency systems in North America, current U.S. Census data on poverty and population, and economic sustainability provided valuable information necessary to the study of community currency and sustainability. Survey data provided an assessment of the attitudes, opinions, and knowledge about community currency, and offered insights into factors prohibiting participation in the Humboldt Exchange. Interview information aided in analyzing reasons for participation and assessing the current state of the Exchange from the perspective of those directly involved in and managing the project.

### **Site Selection**

In spring of 2007, I and a fellow graduate student undertook a program evaluation of the Humboldt Exchange Community Currency Project in Humboldt County, California. Data gathered from individuals within the Humboldt County community were necessary for the advancement of an evaluation of the Humboldt Exchange. One cannot accurately evaluate a program without using a sample of individuals residing within the same area as that program is operating; at least this holds true for community currency. Furthermore, due to a lack of resources needed to survey the county, the Humboldt State University population seemed to be a viable sample for a survey assessing the attitudes, opinions, and knowledge surrounding community currency. What we felt was most interesting about the university population is that the Humboldt Exchange did not include Humboldt State in their target population. Both Calgary and Ithaca are university towns, and involve a large portion of the university populations. University students and faculty are assumed to be more progressive, and progressive individuals are more likely to be involved in community currency projects. Likewise, for the purpose of the evaluation, we thought it would be interesting to gauge awareness of the Humboldt Exchange at the University.

## **DATA COLLECTION TECHNIQUES**

This study relies on the use of both qualitative and quantitative data gathered during a one year period spanning February 2007 to March 2008. The data was gathered for the purpose of a program evaluation of the Humboldt Exchange Community Currency Project, and it was later decided upon that this research would be used as part of the bigger, theoretically based, argument presented in this article

### **Qualitative Data**

The current study began with the gathering of qualitative data. Qualitative data were gathered through face-to-face interviews with Humboldt Exchange participants, and a focus group

with Humboldt Exchange personnel, along with participant observation at Exchange social events.

A focus group interview guide was used in the facilitation of the focus group with both the Exchange personnel and Exchange participants. Focus group interview guides differed in that the guide used in interviewing personnel focused on the history of the Humboldt Exchange, how Democracy Unlimited came to have control of the Exchange, what efforts the Exchange personnel have made to increase participation, in addition to the direction the group sees the Exchange going in the future. The interview guide created for the focus group with participants was fairly straight forward and asked about reasons for involvement in the Exchange and length of involvement.

Participant observation was executed at several Exchange events, including Humboldt Exchange Committee meetings, an Exchange pancake breakfast that was open to participants and non-participants alike, and a Humboldt Exchange 101 meeting open to members of the community interested in learning more about the Exchange.

### **Quantitative Data**

Quantitative data were gathered through the Humboldt Exchange Survey 2008 involving a sample of 720 students, staff, and faculty at Humboldt State University. A random sample of Humboldt State University students, staff, and faculty was attained by the Academic Information Referral Center (AIR) at HSU. After receiving this random sample it was rerandomized and respondents five through 725 were selected to participate in the survey. The survey was administered through a special site established just for the purpose of this study using HSU's Moodle software.

The methodology used in this survey was based on Dillman's (2007) Tailored Design Method for self-administered web-based surveys. Dillman's (2007) methodology is based on a four contact system; however, a five contact method was used for this survey. Tailored Design is based on the premise of social exchange; respondents will complete a self-administered survey because they find an intrinsic value in doing so (Dillman 2007).

Respondents received a pre-notice letter indicating that they would receive an email from me, with a link to the survey, one week following the initial contact. This pre-notice letter also included information about confidentiality and privacy as well as a general description about what the survey was designed to measure. The second contact, as mentioned above, included a link to the survey and prompted individuals to log into their HSU Moodle account to take and submit the survey. The third contact, which was sent out five days after the second, was essentially the same as the second, with the exception that this contact was only sent to participants who had not yet completed the survey encouraging them to do so. The fourth contact was sent out five days later, again urging those who had not finished the survey to do so. A fifth contact, and final contact, was sent out seven days later explaining that the survey was coming to a close and advising those that wished to take the survey to do so as soon as possible. The survey was available online for participants to complete from February 6, 2008 – March 15, 2008.

## **OPERATIONALIZATION OF CONCEPTS**

### **Social Capital**

Focus group and participant observation data aided in the measurement of social capital. Social capital was defined as the cohesiveness of persons and groups in society (Bourdieu 1990; Putnam 2000; Seyfang 2001; Wheatley 2006). This study assumes that community currency increases social capital by increasing social interaction, creating information channels through interaction with others and creating a heightened sense of community while increasing civic participation.

Social capital was measured based on responses to reasons for participating in the Humboldt Exchange, as well as a general examination of actual Humboldt Exchange bills claiming "In Each Other We Trust".

### **Social Identity**

Social identity, or a feeling of group membership, was measured through key informant interview responses. The indication of community identity was expressed freely and usually in absence of an actual question hinting at community identity.

### **Social Exchange**

Participant observation aided in the operationalization of social exchange. Individuals indicated that they participate in the Exchange because of the avenues the Exchange offers for individual exchanges of goods and services while presenting both intrinsic and extrinsic rewards.

### **Economic Localization**

Economic localization, or the liberation of dependency on the national economy through the production of a significant portion of goods and services on a local level, was measured by both qualitative and quantitative data. A good deal of focus group data lends itself to economic localization. Individual participants suggested that they participate in the Exchange in hopes of creating economic sustainability in the county. Exchange pamphlets and packets also suggest that a goal of the Exchange is to promote economic localization in our local bio-region.

Indicators of economic localization were also used on the Humboldt Exchange Survey 2008. Economic localization was measured through the following Likert-scale survey questions: "I try to shop at local businesses as much as possible"; "It is important to support local businesses"; "Ensuring that wealth and resources stay within the community is important to the development of the local economy".

## **RESULTS**

This section presents both the qualitative and quantitative data gathered for this study. The purpose of this thesis was to address why individuals participate in community currency and examine if participation actually promotes economic sustainability. First, a discussion of qualitative data is provided, including participant observation notes and key informant interview results. Next, an examination of quantitative data gathered through the Humboldt Exchange Survey 2008 is presented.

## **Qualitative Results**

### **Key Informant Interviews**

A series of focus groups involving key informants (N=7) was conducted in the fall of 2007. Conducting key informant interviews was important to the eventual generation of a quantitative tool of measuring knowledge about the Humboldt Exchange. Key informant interviews provided a basis for participation in the Exchange, including a rationale for participation in the Exchange. A focus group with the Humboldt Exchange Coordinating Collective was important to the assessment of the goals and objectives of the program.

*Economic Localization.* Qualitative data suggests that participants engage in the Exchange to encourage economic localization and build social capital—though the term social capital is not exclusively used; the term community involvement is. One key informant interviewee suggests that community currency creates a strengthened sense of community:

“I think it says here on the community currency, ‘In Each Other We Trust’. You know there is something to that statement...you know people start feeling trust and safe and connected to each other...then people will open up their minds as well as their hearts and harmonize and work together...on this community currency here is a picture of a family sitting at a table sharing company and enjoying you know, and on the back the town community center where like Farmer’s Market is at...you know this is another subtle thing of creating company.”

Community currency brings individuals living in the same society together by encouraging economic exchanges of goods and services. This economic exchange of goods and services in turn promotes economic sustainability. Another interviewee responded:

“I can’t spend that community currency outside of our area, so I have to spend it in here locally and find a way to spend it. In a sense the parameters are Humboldt County. And so, I can’t spend on anything that is out of our local area.”

Exchange participants clearly express that they believe that the Exchange promotes a sense of community, or social capital, while fostering economic sustainability locally.

*Social Capital.* Individuals participating in the Humboldt Exchange, as well as individuals serving on the Exchange Coordinating Collective, shared that participation in the Exchange increased civic participation. Chapter 3 provided indicators of social capital, one of which is increased civic participation. Attending Exchange meetings and pancake breakfasts, along with general discourse about community currency, serve as a sign of civic participation.

One Exchange Coordinating Collective member shares that community currency:

“Is fun and makes you interact with people in different ways than normal currency does. You are calling people up. Friends and neighbors or new people to meet and that creates an impetus...that has great benefits for community and society.”

Increased civic participation or interaction with other members of society, specifically around similar issues, serves as an impetus for increased social capital. Another indicator of social capital, as outlined in the theory section, is social interaction.

Community currency provides a space for social interaction and dialogue, and we know from previous chapters that social interaction strengthens social capital. Another Exchange Collective member indicated that the Collective is:

“Providing a space for folks to come together who then end up having conversations questioning how the society works...what we can do to change it...how we can promote peace, justice and democracy.”

Interview respondents saw the role of community currency improving social interaction, increasing information channels, creating a heightened sense of community and increasing civic participation.

### **Participant Observation**

During the course of this research I participated in a few Exchange events. I attended the Humboldt Exchange pancake breakfast and the Exchange 101 meeting preceding the breakfast. I also attended a Humboldt Exchange open meeting. The pancake breakfast, and the informative meeting after, allowed me to gain a sense of individual involvement in and dedication to the Exchange. Attendees ranged from devout supporters to interested community members. At both the breakfast and the meeting following, participants discussed what they had to offer other community members as well as what they needed that other community members could offer them. This offering of goods was based on social exchange; while reason for attending leaned towards group membership and strengthening a social identity.

*Social Exchange.* The theory section explains that social exchange clarifies the general exchange-based interaction between individuals. The case of community currency is very indicative of social exchange since participation in community currency is based on one-on-one exchanges with both individuals and businesses, and the intrinsic rewards associated with those exchanges. Individuals participate in exchanges because it serves a purpose for them, or there is a reward coupled with that exchange.

Interviewee's consensus that community currency fosters economic sustainability is a shared reward of participation in the Exchange. Respondents view sustainability as important to the local community, thus offer that community currency offers the reward of sustainability. Participants are participating because they regard community currency as a tool offering rewards to both them, individually, and the community as a whole. Individuals at the Exchange 101 meeting shared that they had an excess of items including eggs, bike parts, and flora and fauna. Participants also shared that they had skills that they could teach others, including musical talents, yoga, and computer programming.

Immediately following the meeting Exchange Personnel encouraged attendees to get together with people offering a good or service that they needed. Individuals made connections, or exchanges, of goods and services right there on the spot.

*Social Identity.* Participation in Exchange events encourages individuals to think in terms of a collective identity and a commitment to take actions in line with those of the group. Involvement and attendance at Exchange functions is an important expression of the level of commitment participants are willing to invest to insure program success. Level of commitment speaks to respondent's sense of identity as it relates to their involvement in the community.

### **Quantitative Results**

In February 2008 a survey assessing the awareness of community currency among the Humboldt State University population was distributed via email to 720 students, staff, or

faculty of the University. During a 6 week period, 226 valid responses were received, which suggests a 31% response rate. I would have preferred to survey the entire Humboldt County population, but a lack of resources discouraged doing so. Instead the HSU population was selected, and a web-based survey was designed using Moodle.

Survey data was entered into SPSS and coded for analysis. A discussion of descriptive results is provided. No further analyses were conducted due to the irrelevance survey questions had to the topic under investigation in this thesis. Remember from Chapter 4, that the data used in this study was initially gathered for the Humboldt Exchange Community Currency Program Evaluation that I and a fellow graduate student undertook.

### **Descriptive Results**

The most notable data gathered through the Humboldt Exchange Survey 2008 is the lack of awareness of the Humboldt Exchange among HSU students, staff, and faculty. A large portion of respondents (n= 100) indicated that they do know what community currency is; however, 80% (n=180) of respondents indicated that they do NOT know about the Humboldt Exchange. Table 2 represents the general characteristics of the population, including a breakdown of the categorical position respondents held at HSU. Data in this table was gathered through Question 1 of the Humboldt Exchange Survey 2008, asking respondents to indicate which category best describes their position at HSU. There was a 100% (N=226) response rate for this question, with 38 respondents indicating that they are staff, 15 indicating that they are faculty, and 173 indicating that they are students. The representation of students and faculty is similar to that of the university population.

Table 1: Respondent Position at HSU

<b>Position at HSU</b>	<b>N</b>	<b>%</b>
Staff	38	16.8
Faculty	15	6.6
Student	173	76.5
Total	226	100

General frequencies were conducted to examine the frequencies and percentages of respondents indicating some sense of economic sustainability or localization. Economic localization was measured through three survey questions: “I try to shop at local businesses”, “It is important to support local businesses”, and “Ensuring that wealth and resources stay within the community is important to the development of the local economy”.

*Economic Localization.* When presented with the statement “I try to shop at local businesses”, 70% (n= 158) of respondents indicate that they either agree or strongly agree, while only 8% (n=18) either disagree or strongly disagree. Similarly, 72% (n=163) of respondents share that they either agree or strongly agree with the statement that “ensuring that wealth and resources stay within the community is important to the development of the local economy.” An overwhelming 88% (n=198) of respondents agree or strongly agree that it is important to support local businesses. Table 3 provides both frequencies and percentages of responses to the economic localization indicators.

Table 2: Economic Localization Indictors

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Totals
I try to shop at local businesses	79 (35%)	79 (35%)	50 (22.1%)	14 (6.1%)	4 (1.8%)	226 (100%)
It is important to support local businesses	117 (51.8%)	81 (35.8%)	22 (9.7%)	2 (.9%)	4 (1.8%)	226 (100%)
Ensuring that wealth and resources stay within the community is important to the development of the local economy	63 (27.9%)	100 (44.2%)	46 (20.4%)	13 (5.8%)	4 (1.8%)	226 (100%)

In sum, examination of economic localization, social capital, social identity, and social exchange offered suggestions for individual participation in community currency programs, specifically the Humboldt Exchange Community Currency Project. More importantly, this thesis has presented the idea that community currency is a social movement that perpetuates social exchange, encourages social identity, and increases social capital, which ultimately creates economic sustainability within our local bio-region. This study found that individuals participate in community currency because doing so is valuable to them, either because they have something to offer, they need something, or they believe it is important to the economic success of the county.

## **DISCUSSION AND CONCLUSION**

This study sought to apply social identity and social exchange theory to the study of community currency, specifically the implications for economic sustainability offered through involvement in community currency. The research question investigated in this thesis was: “Why do individuals participate in community currency movements and does that participation actually promote economic sustainability?” In an effort to answer this question, the relationship between the concepts of social capital, social exchange, social identity, social movement, and economic sustainability and localization were explored through pertinent literature as well as primary data sources. Qualitative and quantitative data were used to aid in the operationalization of the concepts used in this study.

Qualitative data was collected through key-informant interviews with Exchange participants and also through participant observation at Exchange functions. Quantitative data was gathered through the web-based Humboldt Exchange Survey 2008.

Key informant interviews were combined with survey data from a randomly selected sample of Humboldt State University students, staff, and faculty to explore causation for participation in community currency. During this exploration the following hypothesis were tested:

*H1: Individuals participate in community currency because it increases social capital.*

Although the term social capital is never actually used by respondents, the findings clearly indicate support for this hypothesis. Rather than using the term social capital respondents referred to the ways in which community currency cultivated social interaction, provided information channels for active political discourse, created a heightened sense of community—most notably through the actual community currency bills themselves illustrating gathering places in the local community and stating “In Each Other We Trust”—, and finally increases civic participation.

*H2: Community currency creates a social identity.* Individuals involved in the Exchange, or any other community currency project, create group cohesion. Group cohesion, or social identity, involves participants’ assumptions about their personal similarities to other participants. Similarities can be based on the fact that all participants participate because they have something to offer in terms of tangible or intangible goods and services, or that most participants are interested in some sort of social change.

*H3: Individuals participate in the Exchange because of the rewards of doing so.* One of the Exchange meetings that I participated in focused specifically on the above premise that individuals participate in exchanges because they seek what they need. During this meeting we did an exercise where everyone was to identify what they enjoy doing, resources they have excess of, what goods and services they need and don’t have access to, what skills they have to offer. After individually identifying what we, as individuals, need and have to offer, we went around the circle and shared what we had individually identified during the exercise. I witnessed, during this sharing, interaction among Exchange participants. I observed the formation of new exchanges during this interaction that I had with Exchange participants. Connections were made at that meeting, based on offerings or needs of goods and services. Focus group participants set up an exchange for yard work in the middle of our interview. Through participant observation, I saw, firsthand, how the Humboldt Exchange facilitates social exchange among willing participants.

## **Discussion**

This article adds to the plethora of studies already conducted on community currency projects throughout the world. Like past studies on involvement in community currency, this study indicates that individuals participate in community currency on the premise that doing so fosters economic sustainability (Collom 2005; Jacobs et al. 2004; Pretty 2006; Seyfang 2001; Wheatley 2006). This premise was proven through focus group interviews with participants. This study is the only one, to date, focused entirely on the Humboldt Exchange.

The theoretical model adopted in this study proposed that community currency is a social movement that allows social exchange to take place. This exchange allows the socially excluded to participate in the generation or gathering of resources that are not typically available to them in absence of United States tender. The interaction during social exchange creates a social identity, or group membership. We know from social change literature that group cohesion is necessary for social change to take place; in this instance community currency is considered to be a social change movement (Vago 2004). Social capital is created through increased civic participation and a sense of community, as well as social interaction. The social networks created by community currency create avenues for the socially excluded to participate, since social capital diversifies the concept of work to encompass skills and

tangible resources that one has to offer another. Ultimately, the interaction of the concepts of social capital, social identity, and social exchange lead to economic sustainability by offering everyone the same opportunities of gaining capital resources.

Social identity theory, when applied to community currency, shows that individuals participate in community currency because of the similarities they feel they have to other community currency members. These similarities create group cohesion and avenues for participants to be involved in social exchange, whether the exchange involves tangible or intangible goods or services; the exchange may simply be someone to talk politics with.

The interaction of social exchange and social identity creates social capital. Social capital is fostered through the creation of social networks (Bourdieu 1990) that takes place through social exchange and the formation of a social identity. For community currency, at least for those involved in the Humboldt Exchange, participants identify with a movement towards economic sustainability in our local bio-region. Community currency offers both an avenue for economic localization and economic sustainability. Economic sustainability is produced through participant interaction in the Humboldt Exchange; interaction forms avenues for exchange with local businesses and individuals, in turn maintaining the amount of community currency within the local bioregion because, as we know, Humboldt Exchange currency holds no value outside the local area.

Participants of the Humboldt Exchange have expressed, through interviews and participant observation, that the Exchange is meeting their desire for community and network building, or what I refer to in this thesis as social capital, through everyday exchanges and interactions with likeminded individuals within their communities. These same participants have also expressed that they are involved in the Exchange in hopes of meeting and maintaining economic sustainability and opportunities, for both individuals of the community and locally owned businesses. On the contrary, participation is taking place at such a low level, sustainability of the local economy—by way of community currency—is not possible at this time. Despite low participation levels, social capital is on the rise. The increase in social capital has spiked social exchange and helped to foster the growth of a social identity.

Unfortunately, the Humboldt Exchange has yet to meet either economic sustainability or localization. Survey results show that a large portion of the Humboldt State University population is aware of community currency; however, a significant majority of the university is unaware of the Humboldt Exchange. Ithaca HOURS and Calgary Dollars are successful community currency programs utilizing near universities as target populations. The Humboldt Exchange has the potential of meeting its goal of economic sustainability in our local bioregion if, and only if, participation is taking place on a wider scale. Doing so requires outreach and education of the Humboldt Exchange at Humboldt State University and throughout the county.

### **Limitations**

A limiting feature of this study is that both the qualitative and quantitative instruments used were designed for a program evaluation. It would have been preferable to create interview guides and the survey to test the relationship between the concepts used in this study. Such a procedure would have been advantageous because it would have created a more accurate measurement of the concepts social capital, social identity, and social exchange, by asking questions that specifically referred to those concepts.

## **Conclusion**

This study sought to increase the pool of knowledge, currently available, pertaining to community currency. Community currency studies are largely focused on the logistical makeup of a community currency system, rather than an examination of participation in community currency. Some studies do offer that community currency increases social capital and consequently promotes economic sustainability (Wheatley 2006). However, I have not come across any studies suggesting specifically that individuals participate in community currency because doing so creates a social identity and increases social capital.

Social capital was an important indicator of individual participation in the Humboldt Exchange. Respondents indicated that they participated in the Exchange because doing so offered them a sense of community, and created a space for them to interact socially and be involved in meaningful discourse promoting systemic change. The findings presented here could be useful to other rural areas or communities seeking economic sustainability.

## **Theoretical Implications**

This article focused on the relationship between civic participation and economic sustainability. Social exchange theory and social identity theory provided the theoretical basis of this thesis and focused on the dynamic interaction that these theories have with the concepts social capital and economic sustainability. After studying the dynamic interaction of these concepts, I offered a theoretical model explaining the implication that the concepts of social exchange, social identity, and social capital promote economic sustainability.

Future research on specific community currency projects should focus on the connotation that individuals freely participate in community currency because of both the intrinsic and extrinsic rewards of doing so, and the consequences that participation has on economic sustainability. The theoretical model presented in this study should be tested against involvement in community currency projects throughout the world. Doing so would create a theoretically based argument for the creation of and participation in community currency projects both in rural and urban areas.

## **Recommendations**

One may, after reading this, contemplate what they can do to promote economic sustainability in the local bioregion. This study has shown that participation in community currency promotes a decreased reliance on imports thus, increasing the potential for economic sustainability. Economic sustainability is only achievable through increased participation in the Exchange. The Humboldt Exchange website ([www.humboldtexchange.org](http://www.humboldtexchange.org)) is a valuable resource for individuals and business owners interested in participating in our local community currency project.

## REFERENCES

- Abrahamson, Peter. 1995. "Social Exclusion in Europe: Old Wine in New Bottles". *Družboslovne Razprave* 11: 19-20.
- Alexander, Don. 1996. "Bioregionalism: The Need for a Firmer Theoretical Foundation." *Trumpeter* 13.3.
- Annen, Kurt, 2003. "Social capital, inclusive networks, and economic performance." *Journal of Economic Behavior & Organization* 50(4): 449-463, April.
- Bay Localize. 2007. "Benefits of Localization." Retrieved February 25, 2008 (<http://www.baylocalize.org/localization/benefits>).
- Blau, Peter M. 1964. *Exchange and Power in Social Life*. John Willey and Sons, Inc.
- Bluic, Ana-Maria, Craig McGarty, Katherine Reynolds, and Daniela Muntele. 2007. "Opinion-Based Group Membership as a Predictor of Commitment to Political Action." *European Journal of Social Psychology* 37: 19-32.
- Brady, David. 2003. "Rethinking the Sociological Measurement of Poverty." *Social Forces* 81(3).
- Bourdieu, Pierre. 1990. *The Logic of Practice*. Stanford University Press.
- Calgary Dollars. 2005. "Circulating New Ideas about Money." Retrieved February 5<sup>th</sup>, 2007 (<http://www.calgarydollars.ca/>).
- Calhoun, Craig, Joseph Gerteis, James Moody, Steven Pfaff and Indermohan Virk. 2002. *Contemporary Sociological Theory*. Blackwell Publishing.
- Cameron, Angus. 2007. "Geographies of Welfare and Exclusion: Reconstituting the Public." *Progress in Human Geography* 31(4): 519-526.
- Coleman, James S. 1988. "Social Capital and the Creation of Human Capital". *American Journal of Sociology* 94: S97-S98, S100-S108.
- Coleman, James S. and Thomas J. Fararo. 1992. *Rational Choice Theory: Advocacy and Critique*. Newbury Park, CA: Sage Publications.
- Collom, Ed. 2005. "Community Currency in the United States: the social environments in which it emerges and survives." *Environment and Planning* 37: 1565-1587.
- Deaux, K. 1996. "Social Identification." In *Social Psychology: Handbook of Basic Principles*, edited by E. Tory Higgins and A.W. Kruglanski, pp. 777-98. New York: Guilford Press.
- Dillman, Don A. 2007. *Mail and Internet Surveys: The Tailored Design Method*. New Jersey: John Wiley & Sons, Inc.
- E.F. Schumacher Society. 2006. "Local Currencies". Retrieved February 11, 2007 ([http://www.smallisbeautiful.org/local\\_currency/currency\\_groups.html](http://www.smallisbeautiful.org/local_currency/currency_groups.html)).

Environmental Protection Agency. 2007. "Brownfield's 2004 Grant Fact Sheet." Retrieved February 25, 2008 (<http://epa.gov/brownfields/04grants/humboldt.htm>).

FedStats. 2007. "Humboldt County MapStats". Retrieved March 13, 2008 (<http://www.fedstats.gov.qf/states/06/06023.html>).

Haan, A. 1998. "Social Exclusion: An Alternative Concept for the Study of Deprivation?". *IDB Bulletin* 29(1): 10-19.

Homans, George C. 1958. "Social Behavior as Exchange." *American Journal of Sociology* 63: 597-606.

Humboldt Exchange Coordinating Collective. 2006. *Humboldt Exchange Community Currency*. "Information Packet for Businesses." Also available online (<http://www.humboldtexchange.org>).

Humboldt Exchange Coordinating Collective. 2008. *Humboldt Exchange Community Currency Directory*. "Frequently Asked Questions about Community Currency". Retrieved April 3, 2008 (<http://humboldtexchange.org/faqs.htm>).

Humboldt State University Analytic Studies. 2007. *University Statistical Studies* Retrieved February 20<sup>th</sup>, 2007 ([http://www.humboldt.edu/~anstud/univ\\_profile.shtml](http://www.humboldt.edu/~anstud/univ_profile.shtml))

Ithaca Hours, Inc. 2005. "Ithaca HOURS Local Currency." Retrieved April 13, 2007 (<http://www.ithacahours.org/>).

Jacobs, Jeffery, Merlin Berkenhoff, Emily Jovic, and Gerald Wheatley. 2004. "The Social and Cultural Capital of Community Currency: An Ithaca HOURS Case Study Survey." *International Journal of Community Currency Research* 8:42-56.

Jetten, Jolanda and Tom Postmes. 2006. "I did it my way": Collective Expressions of Individualism." *Individuality and the Group: Advances in Social Identity* pp. 116-136. London: Sage Publications.

Jordan, Bill. 1996. *A Theory of Poverty and Social Exclusion*. Oxford: Blackwell.

Pearce, David, and Edward B. Barbier. 2000. *Blueprint for a Sustainable Economy*. London: Earthscan Publications.

Pretty, Jules. 2006. "Taking Back the Middle for Local Economies." Retrieved March 18, 2008. ([http://appropriate-economics.org/materials/taking\\_back\\_the\\_middle.htm](http://appropriate-economics.org/materials/taking_back_the_middle.htm)).

Putnam, Robert. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.

Robila, Mihaela. 2006. "Economic Pressure and Social Exclusion in Europe." *The Social Science Journal* 43(1): 85-97.

Seyfang, Gill. 1997. "Examining Local Currency Systems: A Social Audit Approach." *International Journal of Community Currency Research* 1. Retrieved February 6<sup>th</sup>, 2007. (<http://www.le.ac.uk/ulmc/ijcct/vol1-3/1toc.htm>).

--. 2001. "Community Currencies; Small Change for a Green Economy." *Environment and Planning* 31: 975-996.

Simpson, Brett. 2006. "Social Identity and Cooperation in Social Dilemmas." *Rationality and Society* 18: 443-470.

Swann, Robert and Susan Witt. 1995. "Local Currencies: Catalysts for Sustainable Regional Economies." Retrieved March 18, 2008 ([http://www.appropriate-economics.org/materials/local\\_currencies-catalysts.pdf](http://www.appropriate-economics.org/materials/local_currencies-catalysts.pdf)).

U.S. Bureau of the Census. 2002. *Economic Census*. Retrieved April 27<sup>th</sup>, 2007 (<http://www.census.gov/econ/census02>).

U.S. Census Bureau. 2007. *State and County Quick Facts*. Retrieved April 27, 2007 (<http://quickfacts.census.gov/qfd/states/06/06023.html>).

Vago, Steven. 2004. *Social Change* 5<sup>th</sup> Ed. New Jersey: Prentice Hall.

Wheatley, Gerald. 2006. *Complementary Currency and Quality of Life: Social and Economic Capital Effects on Subjective Well-being*. Alberta: University of Calgary.

Wikipedia. 2007. *University Town*. Retrieved March 13<sup>th</sup>, 2007 ([http://en.wikipedia.org/wiki/University\\_town](http://en.wikipedia.org/wiki/University_town))

Willits Economic Localization (WELL). 2007. "WELL Overview." Retrieved February 25, 2008 (<http://wilitseconomiclocalization.com>).