Dane County Timebank Jumps into Local Economy

By Robert McClure

Madison now has a second local trading system.

The Dane County Timebank was launched on Madison's north side in October, with plans to expand over time to the entire metropolitan area and possibly beyond. Like Madison Hours, it provides a way for people to connect so that they can fulfill each other's needs and improve community self-sufficiency without having to rely upon dollars. DCT is one of several dozen such systems now operating around the country.

Economically speaking, timedollar systems or timebanks work very much like local currencies, supplying a form of non-dollar credit to individuals, organizations and businesses so that they can track the trading they do with one another.

So does Madison Hours now have a competitor?

Hardly.

While there may be some overlap in mission, local currency and time dollar systems are designed to fulfill distinct and complementary economic roles, and this can be seen in how they operate.

Compare & Contrast

Both types of systems use the same basic method to connect people: members publish their offers and requests, either on-line or in print, so that everyone can see who needs what and who might supply it.

But while local currencies take the form of paper bills, timebanks operate on the basis of *mutual credit*, meaning that whenever any participant's need is matched by another's offer, a time dollar is simply created (on a computerized accounting system) for the recipient of the service to pay to the provider -- a shortage of credit should therefore never stand in the way of any need remaining unfulfilled. Partly on account of this operational difference, timebanks extend a lot more credit into the community than local currencies do; a timebank member may debit her account quite extensively before earning back credits, though all members are ultimately obliged to do so. This liberal extension of credit stands in contrast to local currencies which generally dole out three or four Hours at sign-up, requiring members to then earn additional Hours before they can spend more.

As with local currencies, timedollar systems use the hour of labor as the unit of account, but unlike local currencies, timedollar credits have no federal cash equivalent. This has the advantage of rendering them non-taxable, but also makes them less-than-ideal for transactions involving goods or services of significant dollar-value. So, while one's not likely to sell a car or provide plastic surgery for timedollars, the credits work perfectly well for most exchanges that community members seek to make with one another. Timedollars credit *only* time, so they are best suited for services, and additional dollar-costs -- say for tools or supplies -- must be accounted for in dollars or local currency.

But perhaps the most significant difference between the two types of systems is in how trading happens. While Madison Hours provides *Hour Community News* and the Hours website as "passive" tools to enable members to connect, timebanks employ a coordinator (often on a paid basis) to actively facilitate trading between members. The process is much more structured as well -- the application for membership is significantly longer, and the coordinator interviews and vets participants at sign-up to insure they are trustworthy and reasonably qualified to provide the services they've advertised. The facilitator may also, where appropriate, deliberately match participants on the basis of personality and temperament.

As these practices make clear, timebanks are much more specifically focused on the outcome of building connections between community-members than are local currencies; the development of friendships and other ongoing bonds are of paramount importance. Indeed, in well-established timebanks, the actual redemption of earned credits sometimes falls to a comparatively low percentage (by contrast with dollars or local currency), and most timedollar systems don't keep strict tabs on total numbers of credits and debits generated. Many systems in fact allow relatively unregulated generation of credits, especially by participating organizations. Because the credits have no dollar value, there is no concern about them accumulating in large numbers and losing their value. What's important is not looking after the "money supply" but seeing that community members are connected and doing things for one another.

For local currency systems -- as with all true money systems -- controlling the money supply is of critical importance; any currency, to remain viable, needs to maintain its value against goods and services to insure easy and stable convertibility with others.

Core Economy

A useful way to distinguish the economic roles played by timebanks and local currency systems is to consider what Edgar Cahn, the developer of time dollars, refers to as the "core economy." This encompasses the caring and communitarian tasks that were traditionally (and willingly) done for free in socially intact communities. Many of these include caring for the young, elderly and ill, keeping physical infrastructure in good repair, and sharing skills and resources between community members. Much of this work has gotten transferred to the waged-economy as increasing work-loads have eaten away at Americans' spare time.

As Cahn likes to analogize it, the core economy bears the same relation to the larger economy as a computer's operating system does to its software programs: the sophisticated and useful tasks performed by the latter cannot get done if the basic tasks of the former are not being accomplished. The core economy is put under particular strain in impoverished areas where there is neither time nor monetary resources to get its tasks done. But at virtually all class levels in American society the core economy has largely fallen apart, with atomization of family units and general distrust of others isolating people more and more.

Reviving the core economy with a timebank strengthens the community by drawing connections between its members and removing financial pressures by freeing up dollars that had been devoted to getting core economy tasks done. But timebanking also demonstrates concretely to people that the most basic tasks in the service of community and human need have a real, demonstrable value.

In the commercial sector, timedollars are typically limited in their potential use to the "surplus" economy, either in discounting excess capacity of some kind or for remunerating the labor of volunteers. So, a theater or restaurant might participate in a timebank by treating timedollars as they would a discount coupon during slow hours; or a social service agency might discount the fee they normally charge to clients by accepting timedollars, which they can then use as an incentive to encourage additional volunteer support.

But in general timedollars remain sequestered from the larger wage-economy -- a lack of dollar-equivalency makes them essentially impossible to process through a business's accounting system as revenue, so they can't find their way into people's wages or the pockets of vendors who might otherwise be sympathetic to their mission.

This is where local currency like Madison Hours comes in. Though denominated in hours of labor like timedollars, cross equivalency ($10/Hour) allows it to be accounted as cash for business purposes. But unlike federal currency Madison Hours never leave the area, so the wealth generated by earning them stays permanently in local circulation (dollars are often said to circulate roughly 7 times before leaving the region). Whatsmore, the citizens of Madison -- rather than the Federal Reserve -- control its circulation.

Why is this last point important?

The Larger Picture

Let's say your operating system is working fine, but your software is dysfunctionally slow because you don't have enough memory available to run it. If we were to consider money as bits and bytes in Edgar Cahn's analogy, it's clear that the super-computer called the U.S. economy is permanently under-fitted so as to run sub-optimally.

The money supply is the primary device by which the Federal Reserve controls the economy, and it functions very much like memory in a computer. Extend it, and things speed up: interest rates fall, new businesses start, existing businesses expand and the unemployment rate drops toward zero, putting upward pressure on wages. Contract the money supply, and the productive economy slows down. Federal monetary policy is geared toward maintaining an unemployment rate in the 3%-6% range precisely to prevent upward pressure on wages and the "inflation" that would potentially bring.

Not only is money never made available in sufficient quantity for full employment, in recent years the globalization of production and investment has put an added pressure on dollars to slip out of localities all over the U.S. and search even farther afield for better return. The conventional money-supply can therefore never be relied upon to provide a sustainable environment for regional economies to work at full capacity and provide a decent standard of living for all their citizens. Nor will dollars ever be supplied to a community at zero-percent interest in a world in which return on investment is increasingly competitive. Only local currencies can stanch the potential flow of wealth away from a community while at the same time providing a local ability to control the economic environment, independent of the wider monetary climate.

Local currencies have the potential to recalibrate pay-scales so that minimum wages are lifted to living wages without ever costing businesses a penny. They can make local retailers price-competitive with giant international chains like Wal-mart and Home Depot. They can foster re-localization of production, even in an era in which virtually anything can be done more cheaply overseas. They can encourage local sourcing and re-use of raw materials and components, even when those can be obtained more dollar-cheaply out-of-state or out-of-country.

Local currency can do this because it costs nothing -- its supplemental addition to the local economy takes no dollars out of circulation. Indeed, it frees up dollars from tracking local transactions so that they can be used for non-local costs or to pay down debt.

Achieving Symbiosis

So how can DCT and Madison Hours best work together? Though it might seem natural, the two cannot be officially linked or considered mutually exchangeable since that would compromise the non-dollar-equivalence of timebank credits.

Madison Hours members can of course also become members of the Timebank and vice-versa. But with the two systems potentially duplicating their services in both the core- and commercial-economies, a lack of more concerted coordination between them seems wasteful if not remiss.

Though timedollars cannot be exchanged for Madison Hours, it has been suggested (by Edgar Cahn) that Hours could be given out as a sort of bonus, like frequent-flyer miles, to the most active timedollar participants. So, an Hour might automatically be allotted to Timebank members for, say, each 5 timebank credits earned.

This would expand Madison Hours use to Timebank members, which would be of great benefit since they are likely to have needs for many goods and services which are not readily amenable to discounting or donation. But this would not accomplish the important corollary task of expanding Madison Hours use by businesses; Madison Hours is already in critical need of additional business participation and could certainly not sustain hundreds of potential new users all hunting down the 30 or so businesses currently dedicated to honoring local currency. And of course DCT would also need to *get* Hours to hand out for bonuses.

Linking Without Linking

To solve these problems, we've drafted a proposal to the Dane County Timebank Board (on which Madison Hours has a seat) that the Timebank not only encourage business support in the form of donations of goods and services but also in Madison Hours. This latter option would hopefully have a certain appeal to businesses since they wouldn't have to discount anything, but it would obviously require them to earn Madison Hours. They could either do this first, or Madison Hours could simply front willing businesses no-interest loans of Hours to donate, with the stipulation that they could not quit Hours membership without paying the loan back (much like the regular membership agreement).

This would result in a large surge in appetite for Hours among new businesses. To sweeten the pot, DCT (perhaps with Madison Hours splitting the cost) could run an advertising section in the local papers once or twice a year thanking businesses for their support and listing their various contributions in $-equivalents; this figure would be the amount of their original Hour donation plus any additional Hours the business has taken in as revenue. Figuring it like this would provide an incentive for businesses to take in as many Hours as possible and therefore to get in the practice of treating them as regular revenue -- expensing Hours out as wages or for supplies and raw materials -- rather than writing them off as coupons or simply collecting back the original donation and quitting. In this way we would hope to leverage new interest in the Timebank into increased business support for Hours, which would greatly benefit the members of both organizations. With an expanded business-base, local currency begins to have much more appeal to employees as wages, easing the "personnel-budget bottleneck" often experienced in fledgling local currency economies. This appeal would be enhanced if it were generally understood that accepting a portion of one's wages in Madison Hours was also a way of supporting D.C.T.

A synergistic combination of local currency and timebanking in Madison holds exciting potential, and could set the city in the national forefront of economic initiative and innovation. It also presents a great opportunity for Madison Hours to gain a new foothold in the commercial realm; were 300 businesses instead of 30 using Hours, millions of dollars would begin flowing back out of national chains to local retailers, and the median minimum wage would leap upward. We would never have to fear Hours fleeing the area, and the dollars freed-up by them -- which would manifest as a sort of "local-loyalty subsidy" to business -- could be used for debt-reduction, non-local costs or investment. With the Timebank re-knitting raveled community-ties and freeing up additional dollars in city and county budgets, we could permanently relieve a sizeable financial pressure from the residents of Madison and Dane County and pioneer a genuinely new form of local economic sovereignty.

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