

Wales Institute for Community Currencies

DESIGN FOR LIVING

*How to design currency systems which
serve humanity and sustainability*

VERSION 1.0 - AUGUST 2004

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Prifysgol
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Cymunedol a
Gydol Oes



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Geoff Thomas, Becky Booth, John Rogers and Sarah James.
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How to design currency systems which serve humanity and sustainability

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Introduction

Most historical currency systems have emerged by accident, expediency or a long evolution. The global complementary currencies movement has shown that it is possible to design currencies based on different values than those issued by governments or banks and that a diversity of currencies may be as important in human affairs as the need for biodiversity in the quest for survival and sustainability. Different currencies speak different languages, have different purposes, values and assumptions underlying their design and functions. We have evolved the following taxonomy of design features for currency systems with the following questions in mind:

- What happens when we introduce ‘intentional design’ into a currency system?
- Is it possible to design currency systems which have a purpose or set of purposes?
- Can we use this taxonomy to run a ‘health check’ on any given currency system?
- Do the individual design features act like lines of code in a computer programme to create different effects?
- Is there a ‘genetic code’ of currencies which can allow us to engineer more beneficial and less dysfunctional currency systems?
- What difference of values and outcomes are created by choosing different sets of design features?
- Can we design sustainability into human interactions with the natural world and each other by the careful choice of currency design features?

Bearing in mind Gandhi’s warning about “dreaming of systems so perfect that noone would need to be good”, we offer this analysis in the hope that others will expand on it, improve it and above all *use it* to design new money systems which serve the best interests of human beings and life on this planet.

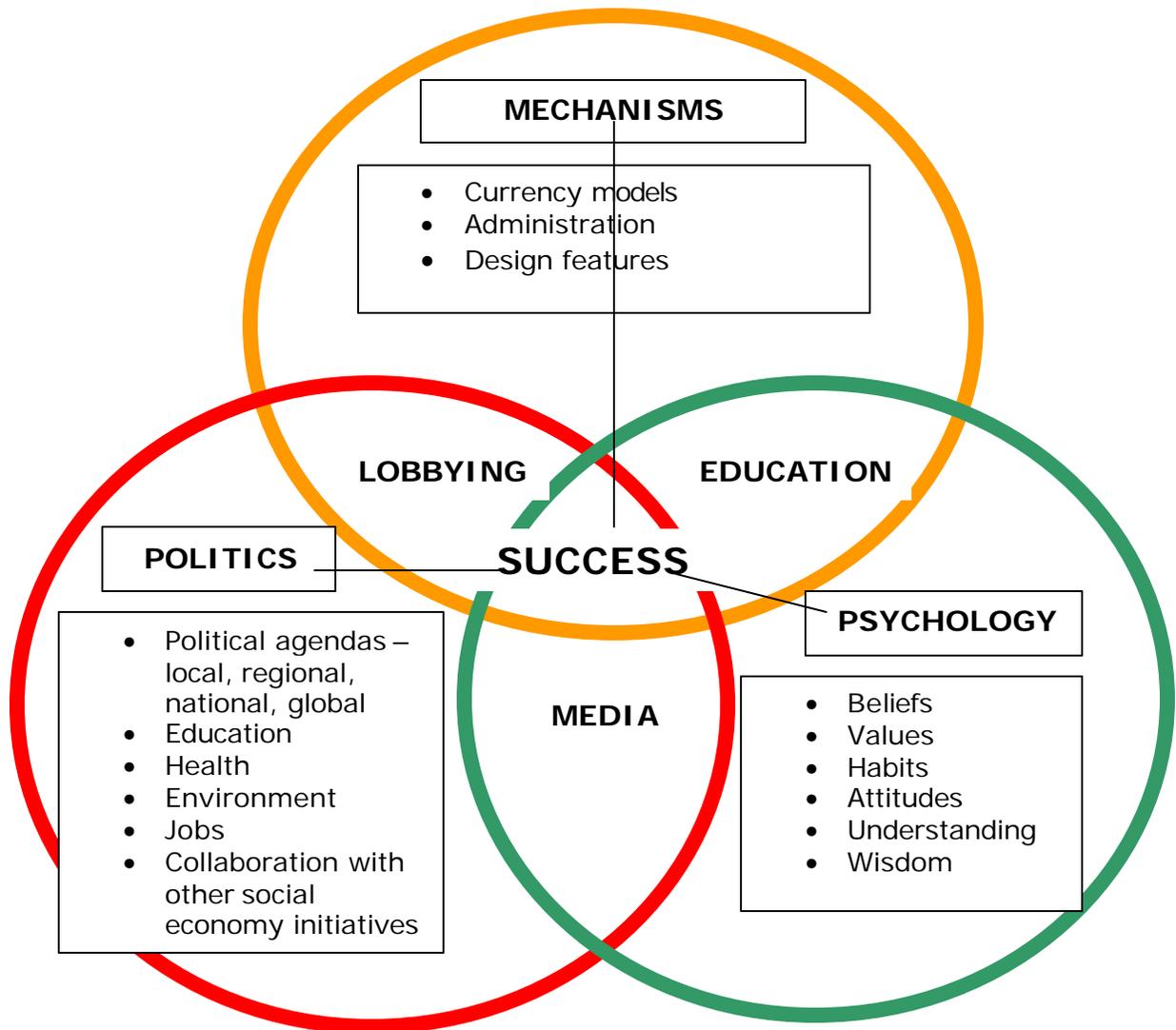
Three domains

Designers and activists for complementary currencies need to take into account three domains: Mechanisms, Politics, Psychology.

Effective designs will incorporate design features which not only bring about more efficient technical operation of currencies but also take account of political agendas and human psychology in the development, operation and promotion of new currency systems.

This understanding will lead to better media and educational campaigns, political lobbying and strategies for complementary currencies.

Once we integrate these approaches and master these currency design tools we will find that a whole range of new complementary currencies will emerge with specific purposes, from community regeneration to business renewal.



Definition of a currency design feature

A currency design feature is a variable that affects the **core values** and **outcomes** of the currency.

Examples of core values and outcomes in a Community Time Bank time currency system

CORE VALUES
Trust
Equality of opportunity
Equality of value of time
Co-production between professionals and communities
Valuing peoples' time, skills and assets
Inclusion
Valuing community and culture
Reciprocity
Cooperation
Shared ownership of projects

OUTCOMES
Releasing potential of individuals and communities
Increasing participation of local people in community activities
Growing self-confidence, self-esteem, self-belief of individuals and communities
Enabling more people to give and take
Re-defining the relationship between professionals and people in communities

A range of complementary currencies will be designed with widely different purposes and values, from tourist currencies to loyalty schemes to economic regeneration currencies.

Some examples of practical questions in the design of complementary currencies

- What is the size of the target community or population?
- What are the target groups?
- What is the previous history of the community/project/organisation?
- What projects do you wish to put in place?
- What is the timescale of the projects/currency – indefinite or time-limited?
- What are the existing agendas?
- What resources are available – money, people, time, other assets?
- What is the current management system of the project/organisation?
- What development workers or administrative support are available?
- What are the existing systems for administration, recording and evaluation?
- How much development support time would be needed to develop a new currency project?

Currency Design Features

The following table sets out a taxonomy of design features which may be used to analyse the character, purpose and values of any currency system, past, present or future. Therefore it has a dual purpose both as an analytical tool for carrying out ‘health checks’ on existing systems and as a design tool for planning new systems.

A currency design feature is a variable that affects the core values and outcomes of the currency.

A Primary design feature represents an essential aspect of any currency system, without which a currency may not function.

Secondary and Tertiary design features should be used as a checklist when designing new currencies.

Some of the effects of each feature on both currency performance/management and on individuals, communities and businesses are listed in the final columns.

	DESIGN FEATURES			EFFECTS OF CHOICE ON CURRENCY PERFORMANCE & MANAGEMENT	EFFECTS OF CHOICE ON INDIVIDUALS, COMMUNITIES & BUSINESSES
	PRIMARY	SECONDARY	TERTIARY		
UNIT OF VALUE		Equal value of time		One hour of service equals one hour	- No need to negotiate price - Implements equality and inclusion
		Price differentials		Users set prices	- Need to negotiate price - Promotes competition
		Pegged to national currency		Tied to inflation of national currency	Familiarity for users with value of units

	DESIGN FEATURES		EFFECTS OF CHOICE ON CURRENCY PERFORMANCE & MANAGEMENT	EFFECTS OF CHOICE ON INDIVIDUALS, COMMUNITIES & BUSINESSES
PRIMARY	SECONDARY	TERTIARY		
BACKING	Trust/Belief	Commodities	Goods encourage wider use of currency	- Creates viable local economy - Encourages local production networks
	Trust/Belief	Services	Range of services encourages wider use of currency	- Creates viable local economy - Encourages local service networks
	Trust/Belief	Trade discounts	Discounts encourage trade	Creates repeat business
	Trust/Belief	Awards	Brings in target groups to use currency	Encourages participation by target groups
	Trust/Belief	National currency	Needs conventional funding	Creates confidence in new currencies
PROCESS OF ISSUANCE – BY WHOM?	Fiat – issued by authority	As debt	Depends on trust in users to repay to balance	- Extends trust to users - Allows users to spend before earning
	Fiat – issued by authority	Payment for goods and services delivered	Issuing authority may commission goods and services	Stimulates new trading activities
	Fiat – issued by authority	Free	Artificial injection of currency may cause instability	May act as psychological boost to trade

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PROCESS OF ISSUANCE – BY WHOM	Mutual credit – issued by users		- Half of traders indebted to other half at any one time - Amount of currency in circulation exactly matches trades	Currency always available because issued by users
PROCESS OF ISSUANCE – TO WHOM	To target population	Geographical area	Creates boundary for circulation of currency	Keeps wealth in a defined locality by creating sectoral and regional currencies
	To target population	Specific groups	Limits circulation to narrowly defined groups	Promotes inclusion of specific groups
ACQUISITION – WHERE TO GET ACCESS TO THE CURRENCY	Places to acquire currency	Single outlet	Limited management required	Limited access to currency
	Places to acquire currency	Multiple outlets	More sophisticated management required	Easy access to currency
ACQUISITION – HOW TO GET ACCESS TO THE CURRENCY	- Projects - Commissions - Work for other individuals - Work for the whole community - Bank loans		Range of means of acquisition creates more open system	Easy access to currency creates confidence, trading opportunities and community cohesion

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REDEEMABILITY – HOW YOU CAN SPEND THE CURRENCY	National currency		Needs conventional funding for backing	Creates confidence if system goes wrong
	Goods and services		Goods and services desired must match currency supply	- Creates viable local economy - Grows social networks
	Trade discounts		Extra incentives to trade speeds up circulation	More incentives to trade
	Awards		Awards must be priced to match amount of currency issued	- More incentives to take part in community activities - Tailored to encourage active inclusion of specific groups
REDEEMABILITY – WHERE YOU CAN SPEND THE CURRENCY	Places to spend currency	Single outlet	Limited management required	Limited access to currency
	Places to spend currency	Multiple outlets	More sophisticated management required	Easy access to currency

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TRADING RULES	Trading limits	Credit limits	Discourages excessive saving	- May put people off doing larger value trades - Encourages spending
	Trading limits	Debit limits	Discourages excessive borrowing	- May put people off doing larger value trades - Encourages earning - Creates trust
	Acceptable goods and services		Limits use of currency	Sends out messages about acceptable behaviours
FUTURE VALUE	No interest		No change in value	Creates confidence in value of currency
	Charge interest on de bits		Lender earns interest	- Incentive to stay in credit - Debts may grow - Individual stress and community breakdown
	Pay interest on credits		Lender pays interest	- Individuals accumulate unearned currency - Creates motivation to earn and save - Savings discourage use of currency for exchange
	Charge interest on credits (demurrage)		- Currency loses value to users over time - Creates investment fund for development work	- Creates motivation to spend - Decreases motivation to save

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MANAGEMENT/ ADMINISTRATION	Transaction recording system with intrinsic value	Commodity eg - - shells - stones - tobacco - grain - beads - metal coins	- Need to be collected or minted - Need security features to avoid counterfeiting	- Easy to recognise - Creates local pride - Collectable objects - Makes currency visible - Make statements of value on coins - Only limited record of transactions
	Transaction recording system with NO intrinsic value	Notes	- Need to be printed - Need security features to avoid counterfeiting	- Easy to recognise - Creates local pride - Collectable objects - Makes currency visible - Make statements of value on notes - Only limited record of transactions
	Transaction recording system with NO intrinsic value	Vouchers	- Need to be printed - Need security features to avoid counterfeiting	- Easy to recognise - Makes currency visible
	Transaction recording system with NO intrinsic value	Cheques	- Need to be printed - Need security features to avoid counterfeiting	- Less visible than coins, notes or vouchers - Clear audit trail - Accurate trading statistics
	Transaction recording system with NO intrinsic value	Passbooks	- Need to be printed - Need security features to avoid counterfeiting	- Minimal central administration puts onus for accurate recording on users

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	Transaction recording system with NO intrinsic value	Electronic cards	- Requires technical infrastructure - May carry a lot of data about transactions	- Very easy to use - Requires trust in technology
	Transaction recording system with NO intrinsic value	Accounting ledger	- Requires technical infrastructure - May carry a lot of data about transactions	- Requires trust in management
	Payment for administration tasks	Funded by system's own currency	Tax on individual trades or by annual membership fee in local currency	Need to be happy to pay charges in local currency to fund administration
	Payment for administration tasks	Funded by national currency internally	Tax on individual trades or by annual membership fee in national currency or paid for from existing budgets	Need to be happy to pay charges in national currency to fund administration
	Payment for administration tasks	Funded by national currency from external funders	- Need to fundraise - Need to manage accounts for external funding	No need to pay for administration
	Payment for administration tasks	Voluntary	Need to manage volunteers	No need to pay for administration
	Strategic planning		- Able to anticipate trends - Able to set clear goals - Creates 'currency with a purpose'	Creates confidence amongst users

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	Monitoring		- Able to get regular feedback on performance - Able to adjust features and interventions	- Encourages direct feedback from users - Creates confidence amongst users
	Evaluation		- Able to adjust goals, features and interventions	- Encourages direct feedback from users - Confidence amongst users
	Education	Training	Speeds up understanding and participation of users	Allows users to get to grips with currency quickly
	Education	Publications	Speeds up understanding and participation of users	Allows users to get to grips with currency quickly
	Education	Conferences	- Compare notes with other systems - Reach new audiences	Local users can tell their stories to others
	Education Education	Seminars Lobbying	Reach policy makers and sectoral decision makers Reach policy makers and sectoral decision makers	Participants can influence decision makers Participants can influence decision makers
	Education	Media	Reach widest audiences	Real life stories have effect
	Governance Governance	Existing constitution New constitution	May need amending to include aims of the new currency system Can be written to include all aims of the new currency system	Familiarity with existing constitution - Encourages involvement by users in framing the aims of the new currency system - Possible resistance from members not wanting change

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	Brokering people	Paid or unpaid broker role	Broker needs management structure	Provides direct stimulus to users to use the currency by trading
	Brokering people	Publication of offers and wants	Regular publication needs to be managed and funded	Allows users to contact each other directly
	Brokering currencies	Paid or unpaid broker role	Needs formal agreements between currency systems for terms of exchange of currencies	Allows users to inter-trade between different currency systems