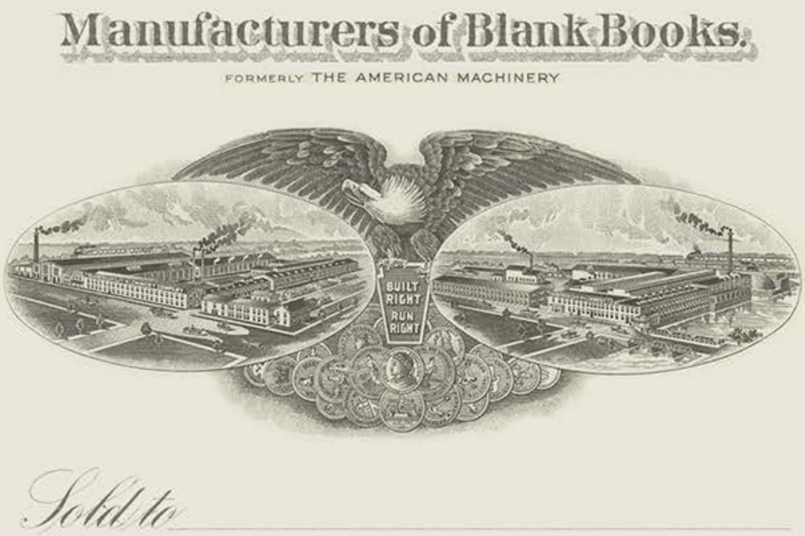
The Paper Chase

By ROB TRUMP

Online cryptocurrencies are all the rage, but other alternate money systems can do more than help you hide



THE recent speculative euphoria on Bitcoin has been accompanied by a wave of media reports on cryptocurrency, most of which seem to assume that the existence of non-government-issued currency is unprecedented. In one sense, they are correct and Bitcoin certainly is something new: Of all the alternative and local currencies that have circulated in the U.S. and beyond, none of them have ever connected so many geographically distant individuals or fluctuated so wildly in price. But it's simply wrong to imagine that the history of alternative currency begins with Bitcoin, and it's potentially harmful to ignore the much more progressive, community currencies that preceded it and continue to be in use.

Antebellum America was awash in local currencies, some of them government-backed notes issued by states but many simply published by privately owned banks. For the most part, these currencies were functional—a consequence of the rarity of precious metals—rather than imbued with political motives, though this rule certainly had its exceptions. A proper history of formally political alternative currencies in the United States, for example, probably starts with 19th century anarchist Josiah Warren and his Cincinnati Time Store, a sort of swap shop that issued "labor notes," denominated in hours of work, in exchange for goods and services. The Time Store skimmed a few percentage points off the top for its own operating costs, but otherwise facilitated a near direct exchange of hours between workers, creating through the system an equivalence of the value of different types of labor in adherence with Warren's belief in the labor theory of value. Also built into the Cincinnati Time Store was the idea of community support through currency—those who shopped there were not only buying local, they were paying local too, and by circulating the currency encouraging others to do the same. Considered a success, the Time Store nevertheless only ran for three years, from 1827 to 1830, after which Warren moved on to more rural areas of Ohio to explore other experiments in anarchist and socialist societies.

The Civil War and the rise of the U.S. dollar as legal tender put an end to many regional currencies, both state-issued and not. But alternative, community-based communities have never been prohibited by law, and Warren's legacy lived on in spirit. As recently as 1991, the Cincinnati Time Store was explicitly cited as a direct inspiration for another local currency, the Ithaca Hour. Like the Cincinnati Time Store, the Ithaca Hour was created with labor in mind: one Ithaca Hour is usually said to exchange for either 10 U.S. dollars or one hour of work. And like the Cincinnati Time Store, the Ithaca Hour was largely built on the evangelizing efforts of one person—in this case, the activist Paul Glover. Under Glover's guidance, the currency, which came with a newsletter and offered free Hours to anyone joining in or making mutual deals in the Hour, grew to be accepted at more than 500 local businesses. No-interest loans denominated in the Hour were often extended to those businesses as well. Of course, spending Ithaca Hours was much easier to do at an Ithaca farmer's market than at a Chipotle, but keeping money in the community and out of the coffers national conglomerates was part of the idea.

Nowadays, the popularity of Ithaca Hours has stagnated, become outmoded as paper generally has been by supplanted by plastic. Plus, as with the Time Bank, it's had trouble keeping adherents since the departure of its magnetic founder—Glover now lives in Philadelphia. But the surprising success of Ithaca Hours has inspired a number of other currencies with varying track records: Traverse City, Michigan, has the Bay Buck; Great Barrington, Massachusetts, has the BerkShare (named for the Berkshire Hills). But perhaps the most interesting application of local currency goes even smaller, to a handful of classrooms at a few universities: the University of Missouri–Kansas City and Denison University.

It was through reading the work of some University of Missouri–Kansas City professors that I learned of the existence of local currencies in the first place. The academic hub of a certain brand of left-Keynesianism ("post-Keynesianism" to the initiated) known as Modern Monetary Theory, professors at UMKC emphasize in their work the monopoly power of government on the issuance of a given currency, the relationship between government deficits and private sector balances, and ways to achieve the traditional Keynesian goals of full employment and price stability through government action. Their work has received coverage as of late from both mainstream (the *Washington Post*) and more leftist publications (the blog Naked Capitalism regularly features MMTers). And they have their own currency, created both to encourage student community service and as a pedagogical tool.

UMKC's Buckaroo has a much smaller reach than Bitcoin, or even the Ithaca Hour in its early-2000s heyday. Conceived originally as a vehicle for "service learning," in a program that would have required every student at the university to perform some community service, the propos-

al was whittled down until now only a handful of classes, mostly in economics, remain, and inclusion in the program is at the discretion of a given class's teacher. (Professor Randall Wray, for instance, told me that he includes a Buckaroo requirement for every economics class he teaches, with the exception of fully online courses.)

The Cincinnati Time Store, created by an anarchist, had built into its DNA an aversion to governments and tax systems. (The Ithaca Hour, whatever political stripe one associates with it, has no such luck: Salaries and sales paid in the Hour are still subject to state and federal tax law.) The Buckaroo, by contrast, embraces the concept of tax as a facilitator, though it's a tax imposed by the school rather than the government. Professors incorporating the Buckaroo into their class announce at the start of a semester that a tax, denominated in Buckaroos, will be levied on the class at the end of the semester. Payment is required for students to receive their grades. To earn Buckaroos, students can perform a variety of university-approved community service activities, or simply buy circulating Buckaroos from other students who have done more than the required amount of service.

When I asked Wray about the stability of the Buckaroo, his response at first seemed glib to me. "Value of Buck = one hour of labor," he e-mailed, "Absolutely constant." But in a very real way, this is a fundamental truth to the system and worthy of contrasting with America's economic system as a whole. As with Cincinnati's labor notes and Ithaca's Hours, it is always possible to convert time into any of these local currencies as long as you're willing to work. Any student with a list of approved community-service programs can turn an hour into a Buckaroo. The state of the current American economy, with its 7 percent unemployment, means that it's much more difficult to turn an hour of time into an amount of dollars. This is, naturally, part of what the Buckaroo program is meant to emphasize: The unavailability of work is a constraint on the system. Accordingly, many professors on the UMKC staff propose a federal job guarantee to make the U.S.'s system more like theirs by offering to pay anyone willing to exchange their time through labor.

Wray also said that in dollar terms, the Buckaroo fluctuates quite a bit, becoming more valuable closer to the end-of-semester "tax day." This was more or less what I was looking for and expected; professor Fadhel Kaboub, a graduate of UMKC who runs a similar program at Denison University, said the same was true of his Denison Volunteer Dollars ("DVDs"). Which is, of course, what you might expect: When a currency is not actively used for most of the year, a deadline and the risk of a percent loss in grade (as both Kaboub's and Wray's program impose) will bring the price of that currency up. The Buckaroo and the DVD are, however, freely exchangeable at any point in time, and the limits of who they may be sensibly exchanged with are a feature rather than a bug. Ithaca's Hour was designed to support local farmers at the expense of national chains; DVDs foster exchange-based relationships between students at the expense of outside relationships. Kaboub told me that he always asks students for anecdotes about how DVDs were exchanged among them—responses vary wildly but have included "for a ride to the airport" and "for extensive lecture notes" from a zealous volunteer who hadn't been quite as enthused about taking good notes during class.

If the Buckaroo and the DVD seem like propaganda for a certain economic worldview—and as teaching tools, they both certainly are—consider the question I asked Kaboub, wondering whether it would be possible to institute a conservative local currency. Kaboub replied that these possibilities are discussed in class: What if, for instance, consultants were called in to advise Denison on the stability of its currency and told them that the level of debt they carry is unsustainably high. One obvious consequence might be "unemployment"—an inability of the school to pay students who were willing and able to do the volunteer work.

This sort of framing highlights the way MMTers think about the economy. While certainly not the only economists reacting to a depressed economy by prescribing full employment, their means of achieving that goal are markedly simpler than many others: a job guarantee. That's exactly what it sounds like—the vast majority of economists associated with the MMT school support a federal program to give jobs to anyone seeking employment. Where mainstream economists see the solvency of the federal budget as the major constraint, MMTers see the constraint simply as the government's willingness to employ. Kaboub told me that when the Reinhart-Rogoff paper "Growth in a Time of Debt," alleging a link between high debt levels and low growth, infamously imploded last year, his reaction was a complete lack of shock. "Come look at our economy," he said of the DVD. "Our debt is over 200 percent of our GDP and we're doing fine."

This attracts plenty of Econ 101 criticism from the ideological right. The stock question is, "What about inflation?" The stock answer is that inflation is one of the only two things MMTers do care about. UMKC's Center for Full Employment and Price Stability, a policy research instituted associated with Wray and the other MMTers, lists its goals quite transparently in its name. The more complicated answer is that tying a currency to an amount of labor it may be traded for at a fixed rate would stabilize the U.S. dollar just as it stabilized the Ithaca Hour and the labor notes at the Cincinnati Time Store, preventing runaway inflation.

Without training that I don't have, and probably even with it, it's difficult to say how well this theoretical check on inflation would fare. Detractors doubt the ability of an unwieldy federal program to employ labor productively; others point to the unconvincing record of the postulated Phillips Curve relating employment to inflation. And of course, there is a major question as to whether or not the old Keynesian prescription of government-enabled full employment, or more radically, basic income, will really solve the more important structural and social problems of global capitalism.

Besides, there's nowhere near the level of support a job guarantee would need to pass through Congress. Kaboub lamented the noble efforts of Dennis Kucinich, who, with UMKC professor Michael Hudson as his economic advisor, tried to evangelize MMT ideas during a presidential campaign, to no avail. Even when Paul Krugman addresses MMT, which he does, rarely, he oscillates between caricaturing it as unaware of inflation and forcing it into the framework of neoclassical ideas in order to provisionally agree.

If currencies operated with a goal of full employment are, for now, restricted to the local level—and it looks like they are—the next step is to grow the concept and use them to their fullest extent. I can't shake the thought of of millions of microcurrencies, each circulating in effectively Balkanized communities, each powered by work that the community has collectively decided is important. Advanced technology could easily make transfers between such currencies low-friction and inexpensive. But it will require a rediscovery of the social purpose of money, conspicuously absent in cryptocurrencies like Bitcoin. Really, the most disheartening thing about Bitcoin is that any sense of purpose at all is absent. If money is, ultimately, a tool rather than an end to itself, then a reinvention of money requires a rethinking of what that tool is and should accomplish. A more secretive version of the money we already have isn't going to cut it. TNI