How to create your own money

New Money for Healthy Communities
By Thomas H. Greco, Jr.
1994. 201 pp.
US$15.95 + $5 postage & handling
PO Box 42663, Tucson AZ 85733, USA
Reviewed by Brian Martin

Considering that money is absolutely central to capitalist economies, it is surprising how little discussion there is in left circles of the nature of money. Perhaps it is usually assumed that money is simply a medium of exchange which, if the economy were controlled by workers rather than capitalists, would serve the community as a whole.

Conventional assumptions are thrown into disarray as soon as alternatives are discussed. Suppose, for example, that local communities or businesses could issue their own currencies. Would this be a progressive step?

Thomas H. Greco, Jr. has a background in engineering and management. Having left his earlier orthodox career, for many years he has been a community activist, devoting much of his time to running an information exchange. He has been involved with the School of Living and has co-edited its magazine *Green Revolution*. In recent years he has undertaken a study of the fundamentals of money from the point of view of community empowerment.

Greco has self-published two books: *Money and Debt* some years ago and now *New Money for Healthy Communities*. There is much here to stimulate thought.

Most money systems are centralised and run by governments and business, especially banks. Money is actually created every time credit is provided, and is extinguished when the debt is paid. When interest is charged, there isn't enough money in the system to pay back all the loans; hence an expansion of debt is required to keep the system going.

Money is not neutral. Rather, it redistributes from the poor to the rich, mainly via interest. Most commodities have an interest component, especially rent. This process of poor-to-rich redistribution is apparent both within countries and in the global system where debt is impoverishing Third World peoples.

One alternative to centralised money is community-based money systems. Perhaps the best known example is LETS (Local Employment and Trading System), which essentially is a non-profit information system used in a local area, as a supplement to money, to facilitate exchanges of goods and services. There are hundreds of LETS around the world, and more in Australia than in any other country.

Local currencies have a number of advantages. They allow local spending only, they are created by and for the local community, and they encourage local commerce. Greco gives some of the history of local currencies, including fascinating experiments in the 1930s in Austria, Germany and the United States.

The main purpose of *New Money for Healthy Communities* is to present guidelines for establishing a local currency. He argues, for example, that "New money which is created on the basis of anything except the exchange of goods and services coming to market represents a debasement of the currency and will cause inflation of prices in the market". Even more than a critique of centralised money, this book is a practical guide to setting up community-based money systems.

It is easy to formulate objections to local currencies. What about unequal human productive capacities? Doesn't any system of exchange perpetuate inequalities? Where does the surplus arise for collective facilities like libraries? The answers to such questions are not in Greco's book because he did not set out to develop a complete economic alternative. His task is the modest one of presenting advice for setting up alternative money systems.

This is not an easy task. The practicalities are one thing. At least as important is the hostility of governments and banks to challenges.

In recent years the governments of leading capitalist countries have pushed extremely hard for "free trade" on a global scale. What this really means is the freedom of capital to enter local economies with little local control. On the other hand, there is no push for the freedom of labour to move from country to country.

This asymmetry between the "freedom" of capital and constraints on labour suggests the value of any system, such as local currency, that puts economic power back in the hands of local communities. Even if you do not agree with all the premises underlying local currency, Greco's book is a good place to begin thinking through this important issue. ■