

## **BUILDING THE NEW ECONOMIES: SOME THOUGHTS AND RESOURCES**

**By Michael Pilarski, 5/25/2010 version**

Lately I have been studying local economic systems, historical, contemporary and evolving. What would be useful in the US at this point and into the immediate future? How do communities cope with the declining formal economy?

Here are a few thoughts, some findings and resources. I invite further dialog on the topic.

There are six types of overlapping economies in the world.

1) Export/import economy. Buying and selling products from outside the area; working for outside employers; growing crops for export out of the area, etc. The formal economy with reported income, salaries and profits.

2) Local economy. Providing, growing, exchanging and using local goods and services. Some is formal economy and some is informal economy.

3) Household economy. Raising children, growing your own food, building your own house, making and repairing objects, taking care of your own/family needs. Some people have large personal economies, and others have small ones. [In some categorization systems, my category of household economy is included in the informal sector.]

4) Informal economy. Barter, volunteerism, gifts, non-monetary exchange.

5) Black market economy. Drugs, alcohol, weapons and sex are major components of the black market, but it can also include illegal trade in currencies and goods. Under the table. Not formally declared, mostly uses currency and is generally imported goods. Some people's definitions include parts of what I call the informal economy.

6) Nature's economy. This is the sum total of natural resources and nature's processes. Rain, sun, soils, photosynthesis, atmosphere, oceans, forests, wetlands. All those things that make human life possible. This part of the economy has been, and is being, systematically degraded. Time for a change.

All six of these economies exist in every community to one degree or another. Most economists focus on category 1) and 2).

Localization means that the local economy expands and becomes a more important part of the overall economy. In a downturn economy people are forced to increase their personal economy and informal economy because they will have less money to spend on products or services by others.

Thus I expect the latter four of the human economies to expand as the export/import economy contracts.

As long as the current financial system is working it makes sense to focus on increasing the circulation of dollars in the local economy. One of our permaculture principles is to keep energy in the system as long as possible and run it through as many interactions as possible before it exits the system. How many times can a dollar exchange hands before it exits the local economy?

Alternative currency and exchange systems are being experimented with in many places at this time and we also have lots of historical models to examine. A local currency and/or barter network can help an area have a thriving local economy even during downturns in the formal economy.

Where are the current best resource books, websites, thinkers which catalog these models of alternative currencies? Every region should have an economics study group which looks through the models to help design an appropriate version for their local situation.

Mutual Credit Clearing Exchanges - best thing since sliced bread.

I have been on the search for the holy grail of how do we run local economies when the dollar has gone bust. Thomas H. Greco, Jr's. newest book (2009) has got the best ideas I have seen. In particular, his description of mutual credit clearing exchange impressed me. Anyone seriously interested in this topic should read his book "The End of Money and the Future of Civilization. Here are a few of my interpretations of how it might work.

A local currency is set up. The local currency is entered into circulation by producers. The currency is based on local production and services. It can be spent at the participating producers or local businesses and individuals who will accept it. This money can circulate in the local economy and enables buying and selling even when dollars are scarce.

"As a member of a mutual credit clearing exchange, a business can have an interest-free line of credit, it will be able to acquire the things it needs without the use of cash, and (because it accepts payment in the form of exchange credit) will be a preferred source of supply for others who are members of the exchange." Greco.

People who use the exchange have to balance their accounts. The more they sell the more they can spend. Productivity and resources are what is valued in this system. You don't actually have to exchange money tokens or actual goods. It is basically like a checking account.

"In allocating lines of credit, it is important to allocate the greatest share of credit to "trusted issuers: - i.e. those that are well established, financially sound, and whose products and services are in greatest demand within the local region.

“This is the key to maintaining a rapid circulation of credits through the system, avoiding defaults, and preventing the excessive accumulation of credits in the hands of businesses that cannot easily spend them. In brief, the businesses that you wish to have accept community credits in payment are the ones that should be issuing them in the first place. By beginning with ‘trusted issuers’ the value and usefulness of the community credits is quickly demonstrated beyond any doubt. As the process gains credibility and general acceptance in the community, more businesses and individuals will want to join the credit clearing exchange; as each member develops a trading history they too can earn an overdraft privilege commensurate with their volume of sales within the system.” Greco

The need for local economic systems is becoming more and more acute as unemployment grows. Official unemployment is 10% but it is most certainly closer to 20% and going up. Some of these people are still getting government payments, but less and less of them are. These people are ready for a local economy since the formal economy won't let them in.

How many people in the US are currently getting a government check?  
The total government workforce in the US (federal, state, county, city, etc) is about 20% of employment. What if the governments went bankrupt and laid off half of their payroll? A lot of those people would be ready for a local economy.

How many people receive government checks for social security, veterans benefits, welfare, disabled, etc? Another 20%? What if the government went bankrupt and stopped sending checks? A lot of those people would be ready for a local economy.

What if the economy was in such a shambles that exporters have a hard time selling products and local stores have a hard time obtaining goods? What if tourism fell through the floor? More people ready for a local economy.

We don't know what scenario is going to happen with the US and world economy.

- 1) We climb out of the recession soon and the good old days return. Business as usual.
2. Long term recession.
3. Long term depression.
4. Wide-scale collapse, soon.

The best way to prepare is to implement strategies that will be useful no matter which of the scenarios happens.

## BARTERING

Barter is usually an exchange of goods between individuals. Money doesn't exchange hands, goods (or services) do. Ideally, both individuals feel like they got a good deal. Barter has always been an important economic activity after fiat currencies fail. Today there are sophisticated barter systems serving businesses via the internet.

Barter takes many forms. Single barterers such as farmers trading manure for gravel. A beautician trades a hairdo for a basket. People exchange clothing, school supplies, homemade food, household repair jobs in carpentry, bricklaying and electrical work,

medical and dental services, tutoring and tourism, among other goods and services. Barter events take place at various scales. Small flea markets based on barter. Big, regional barter fairs with 10,000 people.

Here is a statement about the cultural aspect of economic exchange by Stacy Mitchell. "This brings me to a theory I have about the growth of farmers markets. The conventional explanation is that people are rediscovering local food. That's certainly true. But I think people are as hungry for the community experience as they are for the fresh broccoli. Several years ago, a group of sociologists from the University of California-Davis followed people around as they shopped in a supermarket. They found that your chances of having a conversation with another shopper are about 1 in 10. They then tracked people at farmers markets and found that your odds of having a conversation in this setting are nearly 70 percent." A New Deal for Local Economies. Author: Stacy Mitchell.

In the event of a further economic downturn, I would recommend that towns, cities, and localities have a weekly or monthly barter fair., along with a larger, regional fall barter fair to celebrate and exchange the fall harvest.

#### ARGENTINA EXAMPLE:

Argentina has one of the biggest barter movements in recent history. When the Argentine currency collapsed in 2001 there were a few barter fairs. One year after currency collapse there were 3,000 barter fairs in the country. Many withered away as the economy improved, but recently there has been a new upsurge of participants, partly because of the economy and partly because people like the cultural experience of face to face exchange. Good article on barter in Argentina, December 30, 2009

<http://ipsnews.net/news.asp?idnews=46452>

Tonasket Barter Faire = Okanogan Family Faire

<http://www.okanoganfamilyfaire.net/about.htm>

This is an economic community event I started in 1974. 2010 will be our 37<sup>th</sup> annual barter faire. Many of my readers will have attended one of these barter fairs. One of the longest-running, alternative events on the West Coast. 400 people attended the first one and it was so fun and meaningful that attendance grew into the thousands by the fifth event. In the recent decade fair attendance is about 10,000 people. Unfortunately not all of them are there for the meaningful aspect of the event, some are there just for the partying. Even with the party crowd, it is still a great event, the economic aspect is huge, and there are lots of interesting people to meet. Look me up if you are at the 2010 faire. I haven't missed one yet. Michael Pilarski.

## **How to Achieve Full Employment**

I am interested in how a strong local economy would allow for full employment and increase natural resources and productive capacity.

For instance, how many people would it take to stop or reduce erosion on all the local

watersheds? This has the economic benefits of stopping/minimizing flood damages as well as obtaining greater productivity from the floodplains and areas of land treated.

How many people would it take to bring local forests back up to a higher degree of productivity by thinning forests, doing forest care, tree planting, etc.? This has short-term and long-term payback.

How many people would it take to do wetland restoration work? This can have paybacks of reduced floods, cleaner waters, more irrigation water, and evening out seasonal streamflows.

How many people would it take to do grassland restoration? This has paybacks in greater forage production for wildlife and livestock, reduced erosion and improved soils.

How many people would it take to plant and maintain windbreaks, shelterbelts and hedgerows where they would save on heating/cooling bills, shelter livestock with increased weight gains, increase crop yields, reduce drifting snow on roadways, etc?

These types of ecological restoration work create new resources, conserve current resources and perform many useful functions for society as a whole. Any sensible business manager knows you can't run your productive assets into the ground. That is what we have been doing with our natural resources. Society needs to invest in increasing our natural resource base. How can this be accommodated in new economic systems? I contend that in a thriving local economy a portion of the production could go to help support the people who do the natural resource restoration work. This is a form of internal taxation. This can include things like housing, food, locally-produced materials and services. Some of the work can be done by volunteers. Some can be done by landowners and/or their hired help with or without public subsidies.

How can welfare for aged, ill, orphaned, handicapped people, etc be handled at a local level? Taxes are collected locally, sent to Washington DC or state capitals and then a portion comes back in welfare programs. Can local taxes stay local and be dispersed by the will of the local populace to meet welfare needs? Strong family and community ties enable a greater degree of local care. Full employment being a goal in that everyone is encouraged and enabled to be a productive member of society.

At this time of growing unemployment some people are willing to take almost any kind of job, no matter how inane, hazardous to their health or unethical. But the formal economy is shedding jobs by the bucketful. I predict that the government sector will start laying off workers by the bucketful later in 2010.

Local communities will be forced to come up with ways to productively employ the large masses of unemployed people who will still desire to eat, be housed and have their basic needs met. They shouldn't be given make-work jobs. The work has to produce something useful for society. The US at this time has way too many consumers in proportion to producers. Gardening and producing food will become major pastimes.

Local crafts, and small-scale production of goods will be more important than imported goods. Natural resource restoration will be a major productive job category for several generations. Repairing and restoring houses and the building inventory will take several generations as well. Reconstruction of slums, brownfields and derelict areas will also take several generations. Preventative and natural health care is needed on a big scale for several generations to heal the accumulated affects of the toxic world so many people have been living in.

It is myopic to say there are no jobs, when so much work is screaming to be done all around us. The productive work needing to be done is in front of us. The ranks of the unemployed swell around us. In permaculture we say the problem is the solution. The connections are waiting to be made. It may come in the form of local economies or perhaps in the form of mass movements.

How is education going to function in the future? Federal and state funding for education is shrinking. Many state governments are teetering on the edge of bankruptcy. The federal government is bankrupt for all intents and purposes but is relying on printing fiat currency at incredible rates as long as other countries will continue to take it. This does not inspire funding confidence for schools and other public good.

In 2008 and 2009 we heard lots of international talk about nations around the world trying to decouple themselves from the sinking US economy. In a sense, local economies should be trying to decouple from the formal US economy. Individuals and localities need to work at decoupling themselves from the globalized economy. We need to create new vibrant local economies that meet the needs of people and the environment.

What will these new, vibrant, local economies look like? Following are some books and resources that are addressing this question. Please send in your favorite writers, models and references to add to this list.

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#### A SMALL BIBLIOGRAPHY

**Fourth Corner Exchange** is a Sustainable Community Currency based in the Pacific Northwest USA, which operates throughout the USA and the world. Currently over eight-hundred participating members, with branches in Washington, Oregon, Colorado, New Mexico, Ohio, California in the USA and other local chapters in Canada and Sweden. Founded by Francis Ayley and a small group of friends in 2002, Fourth Corner Exchange formally started trading in January 2004. From those small beginnings they have grown to over eight-hundred members, exchanging a large selection of goods & services throughout the Pacific Northwest, centered around Bellingham and Port Townsend. Our vision: A world of economic freedom and justice for all, where all communities have access to a fair and equitable universal medium of exchange, issued by the people in sufficiency to meet their own needs and the needs of their communities.

Here are short reviews of economic books currently in my library.

\* *The End of Money and the Future of Civilization*. Thomas H. Greco, Jr., 2009, Chelsea Green Pub. 268 pages. About 100 sources are cited. Greco is one of the best experts on the topic of people-centered economic systems and this is his latest synthesis. Chapter 18 is on Organizational Forms and Structures for Local Self-Determination and Complementary Exchange. Two examples studied are the Balinese Banjar governance structure and Spain's Mondragon Cooperatives. He outlines credit clearing exchanges and mutual companies.

\* *Understanding and Creating Alternatives to Legal Tender*. Thomas H. Greco, Jr., 2001, Chelsea Green Pub. 295 pages. Greco's earlier book on local currencies and community exchange systems.

\* *Alternatives to Economic Globalization: A Better World is Possible*. John Cavanagh and Jerry Mander, Editors, 2004, 2nd edition. 408 pages. A Report of the International Forum on Globalization.

This series of writings is on the more radical end of the spectrum of the books presented here. It is much more from the viewpoint of The Global South. It isn't so much about tinkering with money systems as it is about tinkering with the power structure of societies. It includes writers such as Vandana Shiva, David Korten, Walden Bello and Helena Norberg-Hodge. The book has an extensive resources section which reviews about 100 organizations. Over 200 sources are cited.

\* *Direct Pointing to Real Wealth*. Thomas J. Elpel's *Field Guide to Money*. 2000, fifth edition. 186 pages. HOPS Press, 12 Quartz St., Pony, Montana 59747. \$19.95.

[www.hollowtop.com](http://www.hollowtop.com)

A very thought-provoking book. I haven't read it yet, but a brief glance indicates it may be one of the closest stabs I have seen at looking at economics in real calories and not in currency. Elpel's book is written for the individual person and family. A guide to how to live a better life with less need for currency. There is an 84-book bibliography.

\* *Slow Money*. The long title is "Inquiries into the nature of Slow Money: Investing as if food, farms, and fertility mattered. By Woody Tasch. Foreword by Carlo Petrini, the founder of Slow Food International". 2008. Chelsea Green Pub. 204 pages.

A most excellent development to divert some of the flow of investment capital to the needs of small farmers (and perhaps ecological restoration?). It currently depends on the smooth functioning of international finance systems and value of the dollar to do business. I expect that Slow Money will be incorporating some of the latest and well-thought out strategies to avoid the pitfalls of the past, so they bear close watching. I wonder what fallback plans they have to continue operation in the event of a US dollar collapse?

\* *Small is Possible: Life in a local economy*. Lyle Estill. 2008. New Society Pub. 226 pages. Setting up self-reliant local economies.

\* *Depletion and Abundance: Life on the New Home Front*. Sharon Astyk. 2008, New Society Pub, Gabriola Island, BC, Canada. 271 pages. A grass-roots, do it yourself, permaculture manual for adapting to a failing formal economy. Appendix one is a long list of practical personal steps you can do. There is an annotated bibliography of books on many practical topics.

\* *Ripples from the Zambezi*. Ernesto Sirolli. 1999, New Society Pub., 151 pages. Describes Sirolli's learning from 30 years of economic development in Africa, Australia and North America. Local entrepreneurship, locally-controlled, people-centered economic diversity. Includes a bibliography.

\* *Living Above the Store: Building a Business that creates value, inspires change, and restores land and community*. Martin MeLaver. 2009, Chelsea Green Pub., 317 pages. The citations and bibliography sections list hundreds of books. How to set up ecological, useful businesses.

\* *Free I Got*. Ernest Mann. 1993. Little Free Press, 1011 6<sup>th</sup> Ave. NE, #21, Little Falls, MN 56345. 326 pages. This is perhaps the most radical economics book of them all. Mann describes what he calls the Priceless Economic System. Everything is free. How could it possibly work!? It makes perfect sense . . . in a rational world. "In the priceless economic system everyone will have equal access to all goods and services."

Some books not currently in my library, but recommended.

\* *Agenda for a New Economy: From Phantom Wealth to Real Wealth*. by David Korten. He outlines an agenda to create a new economy-- locally based, community oriented, and devoted to creating a better life for all, not simply increasing profits. Korten has written other books on the economic paradigm shift. [www.davidkorten.org](http://www.davidkorten.org)

\* *Deep Economy: The Wealth of Communities and the Durable Future*. by Bill McKibben. Henry Holt, 2007. [www.billmckibben.com/](http://www.billmckibben.com/)  
Korten is more focused on global systems while McKibben looks towards local movements but they have much in common.

\* *Right Relationship: Building a Whole Earth Economy* by Peter G. Brown. 2009. In *Right Relationship*, Peter G. Brown and Geoffrey Garver use the core Quaker principle of "right relationship"--respecting the integrity, resilience, and beauty of human and natural communities--as the foundation for a new economic model.