



Print Your Own Money!

Jennifer Aitkens

About a year ago, our editor Dale Ennis introduced me to an unreasonable man. Tom Kennedy, or Tommy UsuryFree as he styles himself, believes the world would be a better place without interest or “usury.” He’s not alone in this belief: during my research I have discovered a whole group of unreasonable men and women printing and using their own money. They believe they’re sowing the seeds of a better world for all of us. Could they be right?

Most people believe that banks lend out the money their clients leave on deposit. That’s true to an extent, but modern banks also create money out of thin air by making loans to their customers. They do this through an accounting sleight-of-hand known as fractional reserve banking. By holding just a small amount of money in currency or on deposit with the Bank of Canada, banks are allowed to loan out far more money than they can ever redeem. The bank makes a profit on this non-existent money in the form of interest or “usury” as it was traditionally called, while the borrower must now earn enough money to cover both the original amount of the loan and the interest.

For many people, interest payments become a never-ending treadmill. Driven by the need to pay their bills, people sacrifice their families, their health and their lives to work at unfulfilling jobs. Even those who take pride in being debt-free pay the cost of interest in social malfunction, environmental decline and the debt-servicing costs of the businesses they patronize. A lucky few get rich; the rest spend their lives trying to escape the debt trap.

The creation of money by our chartered banks raises some challenging questions. What is so special about paper money that we should have to pay interest when we need more of it to buy a house or operate a business? Why can’t we get a loan for a nominal fee that covers administrative

costs and pay it back, as we are able? It certainly didn’t cost the bank anything to create the money in the first place!

It is the injustice of usury that haunts Tom Kennedy and hundreds of others involved in the promotion of various alternatives to legal tender, including multi-party barter and unbacked supplementary currency. The multi-party barter system takes simple two-party bartering to a more useful level. Members negotiate trades among themselves and an independent, third-party agent maintains an open central record of credits and debits. While the system works well for the exchange of services, it is hard to get retailers to sign on. After all, they still have to pay federal cash to their wholesalers. The recording of the trade also creates additional work, and many people can be intimidated by the need to negotiate every trade. How many hours of your time, for instance, are you prepared to give in exchange for an hour of work by a skilled plumber?

Kennedy champions a non-cash-based paper currency system that is backed, not by federal currency like Toronto dollars (Products & Services, May/05), but by the assurance that it will be accepted in trade by other members of the community. In a non-cash-based system, your “wealth” is your time, the goods you make, or the services you offer—all of which can be ex-

changed for supplementary currency in trade with other members of your community. In return, you use the currency you receive to make your own purchases of goods and services from the community. Theoretically, the more members in your group, the broader the range of goods and services available to you. Retailers who buy wholesale from outside the group charge enough federal dollars to cover their costs, and accept partial payment in community currency, which can be used in turn to hire staff from the community. The system encourages the consumption of locally produced goods, creates employment for local workers and builds community-strengthening ties between



The reasonable man adapts himself to the world; the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.”

—George Bernard Shaw

the traders. And, unlike bank-created money, supplementary currency can be lent out to actively trading members in good standing at 0% interest.

Printing your own currency is a maverick idea and it tends to raise a lot of eyebrows. Why not just use legal tender? Could counterfeiting destroy the system? Is this a way to avoid paying income tax? These are good questions that, if left unanswered, will create more skeptics than converts to the concept of supplementary currency. Let me answer those questions here.

First of all, supplementary currencies are most powerful when legal tender is in short supply due to high interest rates, a lack of jobs or other causes. In Argentina, for example, a supplementary currency called “creditos” has helped the people of that country trade their way around a devastating collapse of the national currency. With the peso barely worth the paper it was printed on and foreign currency hard to come by, Argentines were left without a reliable medium of exchange. They did have time and goods to sell to each other—all they needed was a currency to grease the system. Before long, barter clubs sprang up around the country, served by an assortment of home-grown “papelitos” or paper notes that are still functioning today as currency.

Regarding counterfeiting, early literature on supplementary currency suggested that counterfeiting wasn't an issue. The Argentinean experience taught us otherwise. For everyone's protection, supplementary currencies are now printed with serial numbers, watermarks and other security devices. Poorly rendered imitations can be quickly spotted and removed from circulation. But more importantly, supplementary currency has a built-in, self-regulating mechanism against this threat. If anything threatens the integrity of the system, community members can trade the currency at a discount or refuse to accept it at all until the problem is rectified. That's not an option with legal tender!

When it comes to income tax, supplementary currency is treated like legal tender. As Kennedy explains in the context of his supplementary currency, Tamworth Hours, “Whenever you receive or spend Tamworth Hours, ask yourself: ‘If this were a twelve-dollar bill, would I report it as taxable income or claim it as a deductible expense?’ If the answer is yes, then you should pay tax on it or report it as an expense. If the answer is no, then ignore it.”

To Learn More

There are many good reasons for supporting supplementary currencies. If you're interested in starting or participating in a local currency group, I encourage you to learn more theory than I've been able to offer in this article. Start with *Money: Understanding and Creating Alternatives to Legal Tender* by Thomas H. Greco Jr. (ISBN:1-890132-37-3, available from the author via e-mail at circ2@mindspring.com). In this month's Products & Services column, I've also described some supplementary currency experiments underway in Canada. If you live in one of these areas, get in touch with the organization and learn how supplementary currency is revitalizing their community. For an excellent review of Argentina's response to their currency crisis, see the video “Money” by filmmaker Isaac Isitan (with Carole Poliquin, Canada, 2003).

Printing our own money is not as unreasonable as it sounds. And if Tom Kennedy and his colleagues are correct, the creation of usury-free local currencies may even speed our progress towards a more caring, sustainable world.

*Jennifer Aitkens, Financial Writer, 247 Blair Road, Cambridge, Ontario, N1S 2J9 (519) 620-2626
jennifer.aitkens@rogers.com*