Chapter XV

The Role and Future of Local Currency and IT

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Abstract

The use of local currency has been spreading gradually since the 1990s. It has been introduced by nonprofit organizations (NPOs) and similar groups in some countries around the world. Welfare, nursing and nonpaying work, such as childrearing, are among the most popular reasons for introducing local currency. Recently, one local currency has appeared related to preventing environmental problems and protective and nursing industries. In some countries, local currencies have supported expectations for economic recovery. Promoting the spread of local currency is thought to be important. Information technology (IT) has contributed to the spread of local currency and may create new areas of usage and value. Various problems accompany the spreading use of local currencies. Local currency will not create major obstacles to economic activity as long as the sizes of transactions do not increase greatly, so governments and financial authorities have little reason to prohibit its use unless the currency issue authority in the country is seriously threatened. The exchange of digital value through IT (e.g., IC cards and the diffusion of the local currency) has significant value but also increases risks. To promote efficiency and convenience in local currency by introducing IT, governments, public administrations and municipalities should cooperate with a strategy for the information and communication technology (ICT) development. Alliances among many institutions should be considered.
Introduction

The use of local currency has been spreading gradually. The NPOs of some countries have introduced local currency, for example, to support welfare programs, nursing and nonpaying work, such as childrearing. In some countries, expectations for economic recovery have been supported by the introduction of a local currency. Moreover, the president of Bank of Japan, Toshihiko Fukui, praised local currency for providing “economic dynamism” (The Chunichi Newspaper, 2003).

It is important to understand the function and the role of local currency in theoretical terms as well as its practical applications in the business world. This chapter considers the origin and examples of local currency, analyzes the economic and legal implications of local currency, and then addresses the pros and cons of local currency and its relationship with IT. The connection between IT and local currency is inevitable and provides considerable potential benefits.

Origins and Examples of Local Currency

The original local currency was the “labor note” introduced as a form of payment by Robert Owen in the 1830s. A hundred years later, stamp scripts came into use in the United States, Austria, Germany and other countries. Since that time, use of local currencies has spread all over the world. Some estimates indicate that in the early 21st century, local currencies are being introduced in 2,500 to 3,000 regions in the world. In Japan, there are some expectations for overcoming deflation (The Nihon Keizai Newspaper, 2002). Typical cases from around the world are described below.

The Ithaca HOURS used in the United States is a paper coupon that equates one hour with $10 U.S. and can be used to purchase goods and services in a limited region within a 20-mile radius of downtown Ithaca, New York. The purpose of this local currency is to help circulation of wealth within the community, strengthen the commitment of local enterprises to the people who live there, add to local spending power, reduce the need to transport goods and for excess packaging, and create jobs (Glover, 2002).

Similarly, time dollars are also famous in the United States. This organization equates one hour of service with one time dollar, so that time dollars is a type of currency that empowers people to convert their personal time into purchasing power by helping others and by contributing to the rebuilding of family, neighborhood and community. Every act of helping leads to another act of helping, creating a web of support and caring that rebuilds trust and enhances community. Time dollar exchanges are used in two main ways. Generalized exchanges of time dollars are most often found in neighbor-to-neighbor time dollar exchanges in which people contribute their efforts to assist their neighbors. Time dollars is also used to reward specific contributions that are deemed to be of special value to the community. In Washington, D.C., the Time Dollar Youth Court uses time dollars to recognize and reward teens that serve as jurors. In the Chicago Cross-
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